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CI - Q4 2016 Cigna Corp Earnings Call

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OVERVIEW:

Co. reported 2016 consolidated revenue of $39.7b and adjusted income from operations of $2.1b or $8.10 per share. Expects 2017 consolidated YoverY revenue to grow 2-3% and consolidated adjusted income from operations to be $2.35-2.48b or $9.00-9.50 per share.

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CORPORATE PARTICIPANTS

Will McDowell *Cigna Corporation - VP of IR*

David Cordani *Cigna Corporation - President and CEO*

Tom McCarthy *Cigna Corporation - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Justin Lake *Wolfe Research - Analyst*

Matthew Borsch *Goldman Sachs - Analyst*

Joshua Raskin *Barclays Capital - Analyst*

A.J. Rice *UBS - Analyst*

Gary Taylor *JPMorgan - Analyst*

Ralph Giacobbe *Citigroup - Analyst*

Christine Arnold *Cowen and Company - Analyst*

Kevin Fischbeck *BofA Merrill Lynch - Analyst*

Peter Costa *Wells Fargo Securities, LLC - Analyst*

David Windley *Jefferies LLC - Analyst*

Ana Gupte *Leerink Partners - Analyst*

Sarah James *Wedbush Securities - Analyst*

Mike Newshel *Evercore ISI - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by for Cigna's fourth quarter 2016 results review.

(Operator Instructions)

As a reminder ladies and gentlemen, this conference, including the Q&A session, is being recorded. We will begin by turning the call over to Mr. Will McDowell. Please go ahead Mr. McDowell.

Will McDowell - *Cigna Corporation - VP of IR*

Good morning, everyone, and thank you for joining today's call. I am Will McDowell, Vice President of Investor Relations. Joining me this morning are David Cordani, our President and Chief Executive Officer; and Tom McCarthy, Cigna's Chief Financial Officer. In our remarks today, David and Tom will cover a number of topics, including Cigna's full-year 2016 financial results, as well as our financial outlook for 2017.

As noted in our earnings release, when describing our financial results, Cigna uses certain financial measures, which are not determined in accordance with accounting principles generally accepted in the United States, otherwise known as GAAP. Specifically, we use the terms labeled adjusted income from operations and earnings per share on this same basis as our principal measures of financial performance. A reconciliation of these measures to the most directly comparable GAAP measure, shareholders' net income, is contained in today's earnings release which is posted in the Investor Relations section of Cigna.com.

In our remarks today, we will be making some forward-looking statements, including statements regarding our outlook for 2017 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, I note that in the fourth quarter, we recorded two charges to shareholders' net income, which we reported as special items.

The first special item was an after-tax charge of $80 million, or $0.31 per share, to establish a full allowance against risk corridor program receivables that were reported on Cigna's balance sheet as of September 30, 2016. While we continue to believe that the government has a binding obligation to pay issuers the full amount due for each year of the risk corridor program, we based this allowance on GAAP accounting requirements in light of recent events. Consistent with this assessment, we did not record any additional risk corridor receivables in fourth quarter 2016.

The second special item was an after-tax charge of $39 million, or $0.15 per share, for merger-related transaction costs. As described in today's earnings release, special items are excluded from adjusted income from operations in our discussion of financial results.

Also, consistent with past practices, when we make any prospective comments on earnings or EPS outlook, we will do so on a basis that excludes the impact of any future capital deployment or prior year development of medical costs. With that, I will turn the call over to David.

David Cordani - *Cigna Corporation - President and CEO*

Thanks, Will. Good morning everyone, and thank you for joining our call today. In today's call, I'll briefly review highlights from our 2016 financial results, as we closed the year with solid momentum. I will then address how we are strategically positioning for long-term success, as we drive innovation and further strengthen our capabilities to deliver value for our customers, clients, partners, and ultimately you, our shareholders, all while a variety of dynamic forces continue to evolve our markets.

I'll also offer some thoughts on our expectations for 2017, which include strong momentum across our businesses, attractive, ongoing free cash flow generation, and an exceptionally strong capital position, all of which provide opportunity for considerable value creation in 2017, as well as over the long term.

Tom will then address our fourth quarter and full-year 2016 financial performance in more detail, as well as provide the specifics for our outlook for 2017, before we take your questions. After Q&A, I will wrap up our call with a few closing remarks.

Let's dive into some highlights for the full year. For 2016, consolidated revenues increased 5% to $39.7 billion, as we continue to focus on our mission to improve the health, well-being, and sense of security of the people we serve. We reported adjusted income from operations for 2016 of $2.1 billion, or $8.10 per share, reflecting strong performance in our commercial employer and Global Supplemental Benefits businesses.

As you know, we also focused on addressing challenges that emerged in the first half of the year in our historically well-performing Group Disability and Life and seniors businesses, where we drove notable progress in the second half of 2016.

Specifically, within the second half we gained traction in group disability, and experienced a more stable claims environment in our life book of business.

Within our seniors business, we made progress with our remediation efforts, and are in the latter stages of the audit response work relative to the Medicare Advantage offerings. We are highly focused on emerging with an even stronger seniors business, and portfolio of solutions that is well-positioned for sustained growth. Overall, we delivered on our revised expectations for the full year of 2016 financial results, and concluded the year with positive momentum as we enter 2017.

Turning now to how we're effectively positioning our business for the future. In the United States, once again we have a new administration advocating for health care reform, and we expect the US regulatory and legislative environment to be dynamic. That said, the core issues that have pressured health care markets more broadly, and recently challenged the U.S. Individual exchange market place in particular, arise from the same market forces and pressures that pressure the status quo of health care systems, both in the United States as well as across the globe.

More specifically, aging populations, eroding health status, and the rise of chronic conditions all pose challenges for health care consumers individually, as well as society at large. These forces in turn contribute to increasing demand for greater access to health care services, and sense of security offerings that are both affordable and of high quality. Additionally, we see acceleration and demand for programs that offer more personalized solutions, and are designed for local marketplaces.

Our proven, differentiated strategy of "Go Deep, Go Global, Go Individual" is directly responsive to these forces, and enables us to anticipate, and address, these needs. Our proven strategy is delivering value, as we help the people we serve maintain and improve their health, as well as access high-quality affordable care when needed. We enable this through a combination of solutions and partnerships to better connect individuals and health care professionals, resulting in improved health and well-being, and better value for our customers.

For example, on the demand side we are incentivizing, engaging, and supporting the individuals we serve to drive healthy actions and behavior. On the supply side, we're deepening collaboration with health care professionals, and supply-chain partners, with leading-edge strategic alliances, incentive programs, and value-based arrangements, as well as effective information sharing and targeted point-of-care resources.

Importantly, these efforts are resulting in greater rewards for higher-performing health care providers, and better value for our customers. With an eye toward delivering sustained value, we've also continued to invest in innovative tools and capabilities over the past few years in order to better anticipate and meet the emerging needs of customers, clients, and health care partners.

Now I'd like to briefly highlight a few examples of new innovative solutions we're delivering in the marketplace. We recently launched a set of powerful solutions that exemplify our approach in bringing personalized, affordable, and integrated solutions to the local markets.

On the demand side, starting with the needs of our customers, this year, more than 1 million Cigna customers have access to One Guide, a multi-modal service experience powered by analytics that proactively engage consumers to stay healthy, eliminate surprises, and save money. One Guide combines the convenience of a smart integrated digital app with the expertise and empathy of human touch. This differentiated solution provides access to guided consultation via the phone, web, mobile app, or chat.

We are driving stronger customer engagement and health outcomes by harnessing predictive analytics to customer insights to deliver real-time notifications to our customers and our customer service representatives in an omni-channel environment. This highly personalized and specific data empowers the individual at the right moment, as it is tailored to their health status and engagement preferences. Together these capabilities help our customers make informed decisions, reduce health expenses, and further strengthen their connection with their doctors.

We are also driving enhancements in affordability and quality on the supply side, with continued investments in value-based care. Today we have nearly 250 collaborative arrangements across large physician and specialty practices spanning 31 states. We also partner in incented-payment models with a growing number of hospital systems, and are forming partnerships in the form of delivery system alliances.

These value-based arrangements, including the one we most recently announced in California last month, will enable greater emphasis on preventative care, and improve quality and value by closely aligning clinical teams, including nurse care coordinators, case managers, and health coaches, and further integrating them in the health care delivery system to create a more seamless experience for our customers, and a more coordinated health care system.

A final example which brings the demand and supply side together, and demonstrates how we're innovating for our customers, clients, and provider partners, is the recent launch of Cigna's SureFit solution. This innovative new solution heightens collaboration between local physician networks and hospital groups to help drive efficiency and create a more personalized experience for our customers.

This program empowers customers to create an optimized network configuration and benefit design to best meet their own personalized needs. Our clients receive substantial savings thanks to the lower total cost of care, as well as embedded behavioral, pharmacy, and population health solutions that are fully integrated into our offerings.

All this is coupled with a higher level of personalization and customer support that is enabling an easier, more efficient administrative experience for our customers. Each of these solutions demonstrate the best value comes from engaging, incentivizing, and supporting individuals; incenting and enabling health care professionals with shared resources and value-based rewards, all delivered through highly-localized integrated solutions.

Now, as we step into 2017, we expect to deliver continued value for our customers and clients, and as a result, our shareholders. Within our Global Health Care segment, we expect to grow in the range of 300,000 to 500,000 total medical customers for the year. This will be driven by strong retention and customer growth in each of our employer segments -- more specifically, National Accounts, Middle Market, Select, and International -- as well as an increase of 100,000 customers in our U.S. Individual customer base. This will be offset somewhat by an expected reduction in the number of Seniors segment customers by 50,000 in 2017.

Overall, we see an attractive year ahead. Our outlook implies an 11% to 17% EPS growth rate, which does not include the impact of any capital deployment. Tom will provide more specifics on our guidance in a few moments.

Our outlook for an attractive 2017 is further strengthened by our current capital position. As you know, we view capital management as an important priority and responsibility for our shareholders. In total, depending on the mix of share repurchase, dividends, and M&A, we would expect to have between $7 billion to $14 billion of deployable capital in 2017.

It's important to emphasize here that we have a disciplined approach and a strong track record of deploying capital, and avoid having surplus capital sit idle for any length of time. Looking broadly ahead, it is also important to remind you that we remain committed to achieving our long-term EPS growth rate of 10% to 13% on average, through a combination of strong organic earnings growth and capital deployment opportunities.

Before I turn the call over to Tom, I'd like to reemphasize a few important points from my comments. We concluded 2016 with momentum, driven by strong results in our Commercial Health Care business and Global Supplemental Benefits business, as well as improving results in our Group Disability and Life segment.

Our well-positioned, diverse and growing portfolio of businesses is delivering innovative solutions that meet the needs of markets around the world. Our talented global team is excited to step into 2017, poised for attractive growth, and the opportunity for significant value creation for our customers, clients, and you our shareholders. With that, I'd like to turn the call over to Tom.

Tom McCarthy - *Cigna Corporation - EVP & CFO*

Thanks, David. Good morning, everyone. In my remarks today, I will briefly review Cigna's 2016 results, and provide our outlook for 2017. Key financial highlights in the year are consolidated revenue growth of 5%, earnings per share of $8.10, and continued strong free cash flow, ending the year with approximately $2.75 billion of parent company cash. Our ability to grow revenues, deliver continued strong earnings in our Commercial Health Care and Global Supplemental Benefits businesses, and address the challenges in Seniors and Group Disability and Life, reflects the underlying strength of our franchise.

Regarding our segments, I will first comment on Global Health Care. 2016 premiums and fees grew 3% to $27.7 billion. We ended 2016 with 15.2 million global medical customers, growing by approximately 200,000 customers.

Full-year earnings were $1.85 billion, reflecting strong performance in our commercial employer business, driven by customer growth, strong specialty results, and favorable medical cost outcomes. Partially offsetting these strong commercial results were elevated costs in our government business. Our results also reflect the impact of not recording $16 million, after tax, of additional risk corridor receivables we had anticipated in the fourth quarter of 2016.

Regarding risk corridor receivables, we continue to believe that the government has a binding obligation to pay issuers the full amount for each year of the risk corridor program. Nevertheless, in light of the large program deficits announced by CMS in the fourth quarter of 2016 and a recent unfavorable court decision, based on GAAP accounting we recorded an allowance against the full amount of our risk corridor balance in the fourth quarter of 2016.

Turning to medical costs, we continue to deliver medical costs that reflect better health outcomes and strong clinical excellence for our customers and clients, as the result of our deep collaborative relationships with physicians, and our focus on personalization of care. For our total U.S. Commercial book of business, full-year medical cost trend for 2016 was modestly below the low end of our previous guidance range of 4% to 5%.

Our commercial medical trend result once again reflects industry-leading performance, building on our multi-year track record of providing our clients with direct benefits from these favorable medical costs, given that over 85% of our U.S. Commercial customers are in transparent ASO funding arrangements. The total commercial medical care ratio of 79.3% for the full year 2016 reflects the ongoing strong performance of our commercial employer business, as well as continued high medical costs in our U.S. Individual business.

The total government medical care ratio of 85.3% for the full year of 2016 reflects solid performance in our Medicare Advantage business, and increased medical costs in our Medicaid business.

The Global Health Care operating expense ratio of 21.5% for the full year of 2016 reflects approximately $100 million in after-tax costs related to our CMS audit response, as well as continued investments in strategic initiatives, offset by continued efficiency gains.

Overall, we've had another strong year in health care, particularly in our commercial employer business.

Turning to our Global Supplemental Benefits business, premiums and fees grew 7% year over year, or 10% on a currency-adjusted basis. Earnings of $294 million represented an increase of 12% year over year, or 15% on a currency-adjusted basis, reflecting business growth and continued operating expense discipline.

For Group Disability and Life, full-year results reflect premium and fee growth of 4% over 2015. Full-year earnings in our group business were $125 million, with fourth-quarter earnings of $69 million. These fourth quarter 2016 earnings reflect continued stabilization of claim experience in our life book of business, underlying sequential improvement in disability results, as the claim process modifications made earlier in 2016 continued to mature, as well as some favorability from taxes and investment income in the quarter.

Overall, we ended 2016 with continued strong revenue and earnings contributions from our Commercial Health Care and Global Supplemental Benefits businesses, and a clear path to addressing the challenges reflected in Seniors and Group Disability and Life. We also continue to generate strong free cash flow across our enterprise, and have significant financial flexibility.

Now I will discuss our outlook for 2017. As David discussed, we continue to introduce innovative solutions into the marketplace that enhance our existing portfolio of businesses to drive strong value for our customers and clients.

As a result, in 2017 we expect to deliver attractive financial growth for our shareholders by driving continued strong results from our well-performing Commercial Health Care and Global Supplement Benefits businesses, and meaningfully improving the performance of our Seniors and Group Disability and Life businesses. For full year 2017, we expect consolidated revenues to grow in the range of 2% to 3% over 2016, driven by continued growth across our targeted market segments, other than Seniors, where we expect revenue to decline due to the CMS enrollment sanctions.

We expect full year 2017 consolidated adjusted income from operations to grow in the range of 12% to 18% to $2.35 billion to $2.48 billion, or $9.00 to $9.50 per share. Consistent with prior practice, our outlook excludes any contribution from future capital deployment, as well as prior year claim development.

I will now discuss the components of our 2017 outlook, starting with Global Health Care. We expect full-year Global Health Care earnings in the range of approximately $2.035 billion to $2.115 billion. This outlook reflect strength in our commercial business, driven by continued benefits from organic customer growth, specialty contributions, and effective medical cost management, as well as improved results in Seniors, including the absence of the large majority of the $100 million after tax in costs associated with the CMS audit response incurred in 2016.

Key assumptions reflected in our Global Health Care earnings outlook for 2017 include the following. Regarding total medical customers, we expect 2017 growth in the range of 300,000 to 500,000 customers.

Turning to medical costs, for our total U.S. Commercial book of business, we expect full year 2017 medical cost trend to be in the range of 4.5% to 5.5%. For our total commercial book of business, we expect the 2017 medical care ratio to be in the range of 80.5% to 81.5%. This compares to a full-year 2016 commercial MCR of 79.3%, and reflects a 150 basis-point increase from the impact on premium from the waiver of the health insurance tax in 2017.

For our total government book of business, we expect the 2017 medical care ratio to be in the range of 85% to 86%, generally consistent with the 2016 result.

Regarding operating expenses, we expect our 2017 global health care operating expense ratio to be in the range of 20.5% to 21.5%, reflecting the absence of the health insurance tax in 2017, impacts from the CMS audit, and increased strategic investments.

For our Global Supplemental Benefits business, we expect earnings in the range of $295 million to $315 million, reflecting business growth, partially offset by the impact of foreign currency movements. Regarding the Group Disability and Life business, we expect continued improvement of disability operational performance through 2017, resulting in full-year 2017 earnings in the range of $200 million to $230 million. Regarding our remaining operations -- that is, other operations and corporate -- we expect a loss of $180 million for 2017.

All in, for full year 2017, we expect consolidated adjusted income from operations of $2.35 billion to $2.48 billion, or $9.00 to $9.50 per share. I would also remind you that our outlook continues to exclude the impact of prior year reserve development or any future capital deployment. Overall, these results represent a competitively attractive outlook, and underscore the benefit of our diverse and differentiated portfolio of businesses.

Now moving to our 2017 capital management position and outlook. Overall, we continue to have excellent financial flexibility. Our subsidiaries remain well-capitalized, and are generating significant free cash flow to the parent, with a strong return on capital in each of our business segments.

Our capital deployment strategy and priorities remain: providing the capital necessary to support growth of our ongoing operations, pursuing M&A activity with a focus on acquiring capabilities and scale to further grow in our targeted areas of focus, and after considering these first two items, we would return capital to shareholders, primarily through share repurchase.

Regarding free cash flow, during 2016 we repurchased 785,000 shares of common stock for approximately $110 million, and we ended the year with parent-company cash of approximately $2.75 billion, including $250 million held for liquidity purposes.

After considering all sources and uses of parent company funds, we expect to have over $5 billion in parent cash available by the end of 2017. Further, we will have the ability to enhance the amount of capital available for deployment through increased financial leverage, resulting in a total of $7 billion to $14 billion available for capital deployment by the end of 2017, depending on whether the capital will be used for share repurchase or M&A. Our free cash flow outlook reflects the industry-leading margins and returns on capital of our businesses.

Now to recap, our full-year 2016 results reflect the strength in our diversified portfolio of businesses, marked by continued positive momentum in our Commercial Health Care and Global Supplemental Benefits businesses, as well as ongoing improvements in Group Disability and Life. In our government business, the increased investments we are making with regard to our audit response ensure that we are well positioned for long-term growth.

Overall, we are pleased with the momentum reflected in our fourth-quarter results, and are confident in our ability to achieve our full-year 2017 outlook. With that, we will turn it over to the operator for the Q&A portion of the call.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Justin Lake, Wolfe Research.

Justin Lake - *Wolfe Research - Analyst*

Thanks, good morning. A couple questions here. First, your recent communications on the Anthem deal appear to indicate that you might not agree that your partner here has the right to extend. I'm curious if you can give us some color on your recent comments via the 8-K. Then I'm also curious if there's any reason in particular that you haven't given color on capital deployment on a Plan B scenario, given your partner in the deal has done so already.

David Cordani - *Cigna Corporation - President and CEO*

Justin, good morning, it's David. Relative to your first question, just briefly, obviously we await the court's decision. From a governance standpoint, we thought we took the appropriate step by issuing the 8-K. The language of the 8-K is quite clear.

Relative to your second question, what we thought was most important is to make sure that our investors understand the breadth of capital available for deployment. Our intention would be to create additional clarity in terms of the use of that to the extent there is a Plan B scenario that would be executed, versus a consummation of the deal. Transparency relative to the tremendous capital that is -- Tom and I both noted it ranged between $7 billion and $14 billion. Stay tuned for more, pending the insights relative to the court's decision.

Justin Lake - *Wolfe Research - Analyst*

Okay, and if I could ask a question on disability and life, obviously the improvement we've seen is significant in the third and fourth quarter. Looking at your guidance, it doesn't appear to embed continued improvement through 2017, just given the run rate coming out of the back half of the year. I'm just curious if there's anything I'm missing there, or if there's some level of conservatism that we should think about?

Tom McCarthy - *Cigna Corporation - EVP & CFO*

Justin, it's Tom. Let me start first with the quarter. Again, we're really pleased with the progress we have in improving results in Group Disability and Life. The fourth quarter, as I mentioned, reflects stable life claim experience, and continued improvement in disability and life results, as those processes continue to mature.

I also called out that the quarter did include some favorable impact from tax accruals and net investment income, and I sized those at about $10 million. If you look at our outlook considering all that, it really reflects continued normalized life claim experience, and a continued pattern of maturity in disability in the claims management over the balance of 2017. It's an attractive growth over the results we posted in 2016.

Justin Lake - *Wolfe Research - Analyst*

Do you still expect to exit the year at the typical margins in the disability business, as you said before?

Tom McCarthy - *Cigna Corporation - EVP & CFO*

Pretty close. That's one of those things we'll see as we get closer to the end of the year, but that's the glide path we'd like to be on.

Justin Lake - *Wolfe Research - Analyst*

Thanks a lot.

Operator

Matthew Borsch, Goldman Sachs.

Matthew Borsch - *Goldman Sachs - Analyst*

Yes. I was hoping that you could comment on any observations you have on the enrollment that you've seen so far in the Individual segment, and what your profitability expectations are as things evolve for the full year 2017?

David Cordani - *Cigna Corporation - President and CEO*

Matthew, it's David. First, let me give you a little bit of color relative to the positioning we took for 2017, and then try to provide you some color in terms of the enrollment.

As you know from prior conversations, we viewed that the marketplace -- 2014, 2015, and 2016, specifically, we call version 1.0. We viewed that it would be a relatively choppy ride in the implementation of all the new attributes of the program, that the marketplace in total would be smaller than projected, and unprofitable overall. We chose to participate in that marketplace on a very focused basis, initially in five states, not expecting to make money but expecting to learn. Broadly speaking, those goals were achieved.

Relative to 2017, as we were operating in 2016 our expectation was that we would move from, specifically from, seven states in 2016 to 10 states in 2017. We assessed the markets and based on the formula we thought we needed to have to work in terms of benefit flexibility, but very importantly, network configuration with collaborative accountable care relationships that were acceptable to the state that we were going to operate in.

We actually exited three states and entered three states, resulting in 7 states that we're in for 2017. The net result is we expect to grow, as I noted, by about 100,000 lives. Those 100,000 lives will be highly biased toward our preferred offerings, which are heavily oriented around the collaborative accountable care relationships, and the aligned models.

Relative to initial measures and metrics, obviously we need to get through the quarter to see how the lives mature. You know that as you get through the quarter, those lives will atrophy off a little bit, in terms of the final manifestation of the lives we have, but they're generally in line with our initial expectations as we start the year.

Matthew Borsch - *Goldman Sachs - Analyst*

Let me ask, what -- how are you thinking at this point about the decision to continue or not continue on the exchanges in 2018?

David Cordani - *Cigna Corporation - President and CEO*

Matthew, important point. Again, we assess the market year in, year out, and as I noted we made some very different moves in 2017 than we initially anticipated with those three exits, versus just the three entrances. We'll have a lot of decisions to make as we get through the spring of the year, and we'll assess our participation in the marketplace in totality, with a fresh set of eyes based upon the rules, regulations and design for that marketplace, that as we sit here right now, is fragile at best. We will fully assess whether we will participate where and how, as we get through the spring cycle.

Matthew Borsch - *Goldman Sachs - Analyst*

All right, thank you.

Operator

Joshua Raskin, Barclays.

Joshua Raskin - *Barclays Capital - Analyst*

Hi, thanks. I apologize for asking again, but just related to the 8-K, I think David you said that the language was clear. I guess the language to me intimated that there was a disagreement between whether or not the merger agreement could be extended. I'm just curious if maybe I'm not reading that right?

With respect to capital deployment, would there be anything that would preclude you -- I know Tom said that there's a bias towards returning capital to shareholders in the form of buy-back. Is there anything that would preclude you from an accelerated share repurchase program? Is there something specific on the M&A front that you want the financial flexibility for, or any color on that, as well?

David Cordani - *Cigna Corporation - President and CEO*

Josh, on your first point again, we believe the language is quite clear and appropriate from a governance standpoint. I would direct you both to that language, and if you so choose, the contract which is filed and public. Specifically from the capital deployment standpoint, as Tom noted, we have excellent flexibility, and I think that's the right way of attributing it.

To the extent we do not have a transaction to finalize here, we will aggressively evaluate and conclude upon all options that are available to us from a capital deployment standpoint, but there are no impediments that we see relative to capital deployment. All alternatives are available to us, and we would intend to create high visibility if we were in that environment as promptly as possible.

Joshua Raskin - *Barclays Capital - Analyst*

Got you. Then on the 300,000 to 500,000 additional lives, I know seniors down 500,000 and then individual up 100,000, but maybe a little bit more color on that? Just specifically, is the seniors down 500,000 to start -- we saw that in January -- or is that where we're going to get to the end of the year?

David Cordani - *Cigna Corporation - President and CEO*

Josh, important you picked up the five correctly, but it's 50,000. Stepping back, the growth was -- is projected to be 300,000 to 500,000. That's where you oriented against the 500,000 number in terms of accumulated growth of lives.

That growth is driven by very strong performance in all of our employer segments -- national, middle, select, international -- driven by strong retention, good expansion of relationships, as well as targeted new business adds where our engagement and incentive-based programs, our collaboratives, our alternative funding, and our sustained strong track record of low medical cost trend is indeed paying off. Specific to your question on seniors, again we project for 2017, for the year, to have a net reduction of 50,000 lives, or about 10% of the starting point, as a result of not being in the active open enrollment period.

Joshua Raskin - *Barclays Capital - Analyst*

Okay thanks.

Operator

A.J. Rice, UBS.

A.J. Rice - *UBS - Analyst*

Hi, everybody. Maybe I'll just ask you about the medical costs trend commentary. Obviously another very good year for you guys coming in below 4% -- I think that's industry-leading. It sounds like on the guidance though, you're assuming that steps up to 4.5% to 5.5%, and I'm wondering what's behind that? I know specifically you're calling out the favorable variance that got you below 4% in 2016 was related to pharmacy costs. I'm trying to understand is that a one-time step, maybe because of some of the contract renegotiations you had, or is there something that continues into 2017 related to that?

David Cordani - *Cigna Corporation - President and CEO*

A.J., it's David, let me start. Just big picture, we're very pleased and proud to have multiple years of posting very low medical cost trend relative to industry norms. As you noted, we ended the full year 2016 a bit below our outlook of 4% to 5%. I'd remind you we started 2016 with an outlook of 4.5% to 5.5%, but in 2016 we lowered that by about 50 basis points.

The way we think about it is for 2017, we're planning at the same level that we planned at for 2016. We planned 2016 at 4.5% to 5.5%, we're planning 2017 at 4.5% to 5.5% Admittedly, it's a tick up from where we ended 2016, a modest up-tick. We're viewing in terms of our projection some up-tick in utilization, some up-tick in pharmacy, but no macro driver to call out that is changing the inflection point.

A.J. Rice - *UBS - Analyst*

Okay, great. Thanks a lot.

Operator

Gary Taylor, JPMorgan.

Gary Taylor - *JPMorgan - Analyst*

Hi, good morning. I want to clarify something, then ask my real question. David, I was just trying to keep up with you. I think the new states on the Individual markets you're entering are North Carolina, Illinois, and Virginia. In response to why you entered those new markets, I heard needed benefit flexibility, network configuration, and collaborative ACO arrangements acceptable to states. None of that really explains to me why you entered three new states. Maybe try again to help us understand that?

David Cordani - *Cigna Corporation - President and CEO*

Sure, apologize if I wasn't clear before. Our learnings to date, if we step back, we participated in this market since its inception, keeping our revenue in the 2%, 3%, maybe 4% range. We've expected each of the years that we would lose money; we would keep that in a manageable corridor.

We've sought to try to learn in terms what are the successful recipes here to deliver the right value for customers, and create a sustainable solution, to be able to do so with health care partners, as well as for our shareholders. Our conclusion is, within the current rule set, the only viable way to make this work is to have a well-coordinated, highly aligned, value-based care arrangement with the health care professionals that is the underbelly or foundation of the offering.

Additionally, we've been able to successfully expand relationships with our collaborative accountable care partners or delivery system alliances, being physician groups or hospitals, across multiple lines of business -- Commercial, Medicare Advantage, Commercial Individual, et cetera.

In these three markets that you identified, we both had market conditions in terms of benefit alignment, as well as delivery system partners, that we were able to put together, and believe in our chosen geographies -- very importantly, we're not statewide -- in our chosen target geographies around those delivery system alternatives. We have a good value proposition that we are proud to bring to market with our health care partners. That's what drove us into those specific markets, and you may think about those, Gary, as sub-markets within North Carolina, sub-markets within Illinois, et cetera, built around those collaborative relationships.

Gary Taylor - *JPMorgan - Analyst*

That's great, that's helpful. I think -- I don't think you're assuming much in terms of profitability, but obviously ultimately you think you will be able to be profitable. That was my clarification. If you'll indulge me to ask my real question it was going to go to Tom. One of the things you talked about on commercial MLR was more normal Stop Loss experience, and that 2015 was unusually favorable. Can you remind us, or what have you learned about why 2015 was so good? Then the second part is, is there any different tail on the Stop Loss claims versus fully insured?

Tom McCarthy - *Cigna Corporation - EVP & CFO*

Let me give the commercial on the MCR first, Gary. Again, our commercial MCR we're really happy with -- very consistent with our expectation, continued strong results in the commercial group business, a little bit of pressure from the high medical costs in individual, but as expected.

I did call out in that quarter-over-quarter comparison -- that's a pretty large variance versus last year, about 270 basis points. About half of that is attributable directly to just the change to MCR in Individual. The balance is largely due, as you called out, to Stop Loss results

That was -- as I tried to make clear -- very much related to last year being very favorable, this year being more normal. If you look back over a number of years, you'll see that kind of pattern that last year was the outlier in being unusually favorable. Results this year in Stop Loss are very consistent with our expectation.

Tail of payment, that gets a little -- they both pay off relatively quickly in the scheme of things and reserving. There's a little different shape to it, given the high frequency, low dollar claims typical in the typical reserves; but I wouldn't call out any major differences. We're not talking about a long-term build-up of reserves like we are in disability.

Gary Taylor - *JPMorgan - Analyst*

Thank you.

Operator

Ralph Giacobbe, Citi.

Ralph Giacobbe - *Citigroup - Analyst*

Thanks, good morning. Any comments or color on the MA rates released last night, and impact to you specifically around star bonus and sanctions at this point?

David Cordani - *Cigna Corporation - President and CEO*

Ralph, it's David. Obviously as you reference, it came out last night. Our team is going through it rather thoroughly. I'd say a couple big-picture comments. First, excluding the stars implication, our view is that our rate implication is similar to that of the industry.

Secondly, including the proposed reduction to our stars in 2018, our revenue impact would be a bit lower than that of the industry, or less positive than that of the industry. Third, as you know we do not agree with or accept that stars conclusion, because we're of the view that our clinical outcomes, our service outcomes, and our overall program outcomes are far superior than the conclusion that's being drawn. In the current state, we're working with CMS literally as we speak, to try to gain a shared understanding of the results we're delivering, and arrive at a different outcome for 2018.

Big picture overall, revenue impact to us in line with the industry, save for the proposed adjustment to our stars, including that the revenue impact for us would be less. We're working with CMS directly on that. To the extent we're not successful, we have a variety of other levers to be able to manage for 2018 that we would deal with down the road, in terms of talking about our benefit positioning.

Ralph Giacobbe - *Citigroup - Analyst*

Okay. All right, that's helpful, thanks. Then, just a follow-up question. Is there any way to frame penetration to specialty across your ASO book? Is the opportunity really more driven by new wins, or is there opportunity in the existing book? Thanks.

David Cordani - *Cigna Corporation - President and CEO*

Let me just give you some color, and then try to give you direction going forward. First, your basic rule of thumb I think should be that the higher the average case size historically for the industry, the lower the penetration rate; the lower the average case size, the higher the penetration rate. Second rule of thumb is as you're dealing with consumer-directed offerings, you'll have a higher average penetration rate versus non-consumer-directed offerings -- the case size being similar, because the individual's the aggregator and you're trying to get an overall aggregated composition.

For us, we continue to make very good progress relative to both penetrating using I think your orientation, our multiple blocks of business, whether it's in our existing relationships or new business relationships. We see tremendous ability to further grow our specialty profile, both in the existing portfolio, as well as in our new business portfolio.

The final comment I would make is our view is that the industry historically looked at this as an opportunity to cross-sell, then moved in an environment of beginning to bundle. Now we're just exploring the way to truly integrate, and a lot of what we've been successful at is truly integrating the programs, be they clinical, service, and outcome programs. Larger versus smaller, penetration rates move. Consumer-directed versus non-consumer-directed, penetration rates move. For us, we have opportunity both in our captive book as well as in new business going forward, and we're excited about that.

Ralph Giacobbe - *Citigroup - Analyst*

Okay, thank you.

Operator

Christine Arnold, Cowen.

Christine Arnold - *Cowen and Company - Analyst*

Hi, there. Could you clarify the improvement that you expect in Medicaid in 2017, and give us a sense for magnitude there? What was the profile versus your expectations this year, and what are you looking for in 2017, and how do you get there? Is your outlook towards Medicaid still, from an M&A perspective, less Medicaid more Medicare unless it's Medicaid that helps you do Duals? How do we think about the whole Medicaid proposition for you guys?

Tom McCarthy - *Cigna Corporation - EVP & CFO*

Christine, it's Tom. First, I'll start with the results this year. Again, first, let's put this into context -- very small business for us, essentially a program in Texas and Illinois. We noted some increased Medicaid MCR in the third quarter. That basically continued into the fourth quarter. The dynamics we called out then are consistent, a little different in each state. Texas, largely pressure on long-term support service costs; Illinois, a bit of rate and mix of higher acuity patients.

I'd say we called that out as an impact on the MCR, but keep in mind it's relatively modest overall. Again, as we move into 2017, the flip-side of that dynamic. We are expecting the MCR to improve in 2017. We're taking actions to improve results. But given the relatively small-scale of Medicaid in our overall business, while it will be a positive factor in the MCR it will be modest, and it's not really noticeable in the overall earnings momentum, either way, for the Company.

David Cordani - *Cigna Corporation - President and CEO*

The M&A posture, looking forward. First, relative to the marketplace, we view over time that the Medicaid marketplace will continue to need to adopt more innovative solutions, whether they're active management, sub-program design et cetera, care coordination, program acceleration. We think that will over time create more opportunities, both for the marketplace to grow and to bring innovative solutions, as well as for ourselves.

I wouldn't limit it to Duals. I would orient around programs where there is more active management, care coordination, value-based alignment, incentive-based programs, whether they be broad or narrowly focused. We see opportunities that we can bring value creation to the table. Over time, we think this marketplace will continue to evolve more in that direction.

Christine Arnold - *Cowen and Company - Analyst*

Then one last follow-up. On Individual, are you willing to quantify the losses in 2016 and what you expect for 2017? The sense we have is that there could be relief coming, and if investors know what's expected, and if there's any issues in 2017 I think we'll look through them, given that we'll either get relief or we'll exit. It might be helpful to know where we wound up and where we're expecting to go? Thanks.

David Cordani - *Cigna Corporation - President and CEO*

Christine, it's David. We haven't given you the exact number. The way we've described it is -- and we've been consistent here -- 2014, 2015, 2016, we expect it not to make money, be it on an allocated or fully allocated basis, et cetera. At the end of the day it is not a profitable block of business. It has been manageable. For 2017, we would expect to improve our profile somewhat, but it would still not be profitable.

I think your big-picture assumption, one way or the other this book improves. It either improves fundamentally, or it improves because it's no longer a sustainable offering for us and we choose not to participate in that marketplace. On a final note for us, we've been really clear. This is not our number one or number two driver of our inflection point, with a great outlook we have of earnings growth next year. It will be a modest improvement off of its current baseline loss results.

Christine Arnold - *Cowen and Company - Analyst*

Thank you.

Operator

Kevin Fischbeck, Bank of America Merrill Lynch.

Kevin Fischbeck - *BofA Merrill Lynch - Analyst*

Great, thanks. If we make the assumption that we have to think about Plan B and what kind of capital deployment you're going to have, definitionally we will have seen the two big deals struck down. Do you -- if that's what ultimately happens, do you feel like large M&A is out of the question right now? When we think about you deploying capital in M&A, should it be around a number of smaller transactions, or do you think that these transactions don't reflect what could potentially happen down the road?

David Cordani - *Cigna Corporation - President and CEO*

Good morning, Kevin, it's David. First, relative to capital deployment, as Tom noted our priorities remain ensuring that we support our existing business needs. Second, we look at strategic M&A, and third, we look at opportunities to return excess capital to shareholders.

As we sit here today, our M&A priorities remain, and they've been consistent in terms of expanding our global footprint, expanding our U.S. seniors capabilities, expanding our retail space capabilities, opportunities for tuck-ins, and opportunities to continue to expand our services for evolving state-based risk programs. I would not read into anything in terms of -- you never say never, in terms of large versus small.

All deals stand on their own, and we would expect to be quite disciplined in terms of our approach going forward in terms of looking for on-strategy M&A opportunities, and ensuring that they are value-creative for shareholders, as well as that we can create value for customers. Then with the tremendous capital balances we have in front of us, we recognize the significant responsibility of these. As I noted in my prepared remarks, we have a track record of not letting that capital lie idle for any elongated length of time.

Kevin Fischbeck - *BofA Merrill Lynch - Analyst*

Okay. The other question I would have for you is maybe if you could give us a self-diagnostic of the performance of the Company over the last two years? I would argue going into the deal you guys were probably one of the best-operated companies for the five years heading into that deal, but then since the deal's been announced, we've had sanctions and star ratings drops, and a disability issue. How do we think about what's happened over the last two years? Is it related to the deal overhang? Is there something else? How do you feel like the Company is positioned operationally internally right now to operate as a standalone Company?

David Cordani - *Cigna Corporation - President and CEO*

Kevin, it's David. Real important question, a couple points. First, big picture, I'm extraordinarily proud of our team, 40,000-plus colleagues around the world who wake up every day to do everything humanly possible to support our customers, our clients, and work with our partners. While we've had some challenges, which I will step up to in a moment, broadly speaking our customers, clients, and partners have been buffered from that.

The value proposition we are delivering remains strong. A way to evidence that is as you look at our 2017 growth trajectory, the ability to have outstanding retention once again with strong new business adds and expansion of relationships, and delivering a tremendous, for example, medical cost trend once again, I think reinforces the value we're delivering.

No doubt, when you have an environment where you have a disruptive overhang that now lapses 18 months, we talk in our organization around keeping our eye focused on the marketplace, you always have a small tension that builds over time. While the team I think has done an outstanding job trying to keep that overhang distraction out of the way, indisputably that's going to creep into the organization, no matter how we communicate, align, and try to stay focused. Again, our customers and clients have been well-supported.

Two different story lines relative to seniors and the group business, neither of which we have time to get into in detail. Regulatory and self-inflicted wounds that we own, and we are remediating them. I think the bright spot here is that we delivered strong results for our clients and customers. We're going to step into 2017 and deliver an outstanding result for our clients and customers, as well as our shareholders.

Kevin Fischbeck - *BofA Merrill Lynch - Analyst*

Okay, great, thanks.

Operator

Peter Costa, Wells Fargo Securities.

Peter Costa - *Wells Fargo Securities, LLC - Analyst*

David, I've not heard you be as positive on the Medicaid business before on a conference call, and you in fact mentioned it as one of the items for capital deployment in terms of state-based risk programs. Is that a change in your view of Medicaid going forward, and that it's going to be a higher-priority item for you to expand that business?

David Cordani - *Cigna Corporation - President and CEO*

Yes, Peter, we do not see it as a change. We see the market evolving. Let me be clear; if you go back to when we rolled out our "Go deep, Go global, Go individual" strategy and laid out our M&A priorities all the way back some seven years ago, we put as a lower priority traditional Medicaid relative to the alternatives. We, all the way back then, had a view that the marketplace would evolve over time to more active management, and we thought the Duals marketplace would be the first marketplace that evolved.

I would ask you not to read into my comments either way; rather, our organization is open-minded relative to targeted opportunities where we could create value. Where we see the opportunity to create value is by working collaboratively with health care professionals with incentives, information, and care resources to provide better quality outcomes for individuals.

As states grapple with their budget challenges with a growing Medicaid population and growing health burden, we think programs will evolve and change, and that will create opportunities. Those will be localized opportunities. We do not see it as the nation's profile will change overnight.

There will be localized opportunities that we want to be open-minded to, and to be in a position to explore from a growth opportunity and value-creation opportunity.

Peter Costa - *Wells Fargo Securities, LLC - Analyst*

Is the evolution you're referring to the change on providers becoming more of ACO organizations with yourselves, or is it something else with the Medicaid program that you think is evolving?

David Cordani - *Cigna Corporation - President and CEO*

Two sides, but let's go to the first dimension. Indisputably as a country, we have an aging population, eroding health status, and continued growth in chronic disease. Continuing to finance the access to care through traditional programs that simply attempt to, for example, push rates lower as a means of balancing budgets is running out of steam, period.

Secondly, there are bright spots around the country of more innovative programs that state officials are driving to try to get more engagement of individuals and better value creation with health care professionals. That is resulting in changes in the delivery system. There's a lot of bright spots around the country where delivery systems -- be they physician groups, multi-specialty groups, integrated hospital systems -- are aggressively exploring how they could do more value-based care.

All those forces are changing. I wouldn't limit it to any one; all those forces are changing. But at the cornerstone is an increasing demand and need for care to be delivered and coordinated, and the need to explore new solutions. Thank you.

Operator

Dave Windley, Jefferies.

David Windley - *Jefferies LLC - Analyst*

Hi, good morning, David. You mentioned in your prepared remarks, I believe, that coming out of these sanctions in the Seniors business you would have a stronger business, stronger platform. I'm curious on two things. One, if you are able to be a little more specific about the cadence of growth that you foresee in 2017 to the negative 50,000-member, is that down further early and then growing later in the year, for example?

Is the chassis now something that you believe can support strong organic growth, with obviously the caveat being it sounds like you're still in negotiations with CMS around the star scores. But is this chassis now strong enough to support an industry-competitive growth rate in Medicare Advantage?

David Cordani - *Cigna Corporation - President and CEO*

Yes, Dave. First, by way of framing, right, we know the stats. Seniors continue to age into Medicare. Seniors who are looking at alternatives view Medicare Advantage quite favorably. This is not Cigna-specific at all, just Medicare Advantage. Medicare Advantage, on average, served seniors with lower average income than fee-for-service, so they're high-value buyers.

Medicare Advantage as an industry generates superior clinical outcomes through care coordination. Very importantly, the more innovative health care professionals appreciate the Medicare Advantage program as an opportunity to better coordinate care.

Specific to Cigna, given that we have 85% of all of our Medicare Advantage lives in value-based programs, that creates both an opportunity in the future and it was a challenge going through the audit. At the end of the day, the complexity is all those partnered relationships and the information flows, et cetera, that we needed to get through the audit process were challenging.

We built, to your term, a chassis now, a series of enhancements, that will put us in a much better position going forward, not only to continue to serve the population where we're delivering very strong service and clinical outcomes today, but coordinate the information necessary in the evolving regulatory environment, and continue to grow that chassis. We believe it will be a very effective growth chassis for years to come for individual MA purchasers who want to be in aligned incentive-based programs with value-based care providers. We're excited about the growth chassis over the long term.

David Windley - *Jefferies LLC - Analyst*

Okay, thank you.

Operator

Ana Gupte, Leerink Partners.

Ana Gupte - *Leerink Partners - Analyst*

Yes, thanks. Good morning. My question is about the employer market, the 300,000 to 500,000. I'm assuming a lot of that is coming from Select and Middle Market. That's where you're really growing. You talk a lot about the Seniors story and so on, but haven't heard anything on your broad views on how the Republican plan on repeal and replace, the repeal of taxes which takes away some of that burden on employers and perhaps reduces the mixture of things, the self-insured. How might all that play out? How are you trying to influence small-group market reform, self-insured and Stop Loss? What are your organic and inorganic priorities there?

David Cordani - *Cigna Corporation - President and CEO*

Ana, I tip my hat to you. I think you got about seven or eight questions in there. Let me attempt to be responsive, because a bunch of quite important points.

First, specific to our results for 2017, the growth of 300,000 to 500,000 customers represents growth in National Accounts, Middle Market, Select, and International, driven by very strong retention in all of those segments, good expansion of relationships, and good targeted new business adds. Our clinical capabilities, our incentive-based programs are hunting quite well.

Specific to repeal and replace, and I appreciate using that language, because I think repeal and replace is being used as language that is relatively broad-sweeping. As you very well know, the ACA had an impact -- based on the way you asked your question -- on the employer market, on the MA market, on the Medicaid market, as well as on the individual market.

What we see happening today versus eight years ago is that there's a need for change unequivocally, but there's also a lot of bright spots that have evolved over the last eight years. For example, in the employer market, there's way more adoption today of incentive engagement and value-based care programs. MA is further evolved to even more broadly adopting value-based care programs. As I noted in a prior comment, there are states that are changing Medicaid programs and evolving them to be more incentive or engagement-based as we go forward.

As it relates to the Individual program, as noted by several people's questions, the marketplace is still unsustainable, and there's a lot of pressure to put a series of transparent changes in place for 2018 in the near future, because organizations will have to make determinations in the spring of this year. As it relates to our growth priorities, they remain. We will grow our employer block of business in the United States, and we see attractive growth opportunities in our targeted geographies, in our targeted segments with our capabilities.

We see Seniors continuing to be a growth chassis for us. We see broadening our specialty portfolio continuing to be a growth chassis. We have a sustained track record of growing our productivity management solutions out of our Group portfolio. Then our International chassis continues to provide an exciting growth opportunity. We're fortunate not to be dependent upon any one sub-market. We're rather well-positioned from that standpoint.

Ana Gupte - *Leerink Partners - Analyst*

Okay, thank you. I appreciate the perspective.

Operator

Sarah James, Piper Jaffray.

Sarah James - *Wedbush Securities - Analyst*

Thank you. I had a clarification on the advancement of Star comment that you made earlier. It looked to me that the BAPP proposal suggested capping the sanction impact in the Star calculation. I understand it's too soon to quantify, but could you help us understand if this is supposed to be a positive or a negative?

David Cordani - *Cigna Corporation - President and CEO*

Sarah, it's David. I'd put that in the too soon to tell. I understand the headline you're referencing. I can't go into the details of the sub-components there, but I understand the point you're referencing. Our team is combing through that quite thoroughly, literally as we speak. I would say stay tuned for more. Obviously a lot of moving parts in there, and you identify actually one of the moving parts, which I think is trying to re-sequence some of the disconnects we've seen in some of the program designs.

Sarah James - *Wedbush Securities - Analyst*

Okay. Then on the Global Supplemental business, you mentioned that there was a headwind to margins from investments. Can you size the impact that the one-time investments had on margins? Where are you investing, and how do you think about the long-term growth for this business?

Tom McCarthy - *Cigna Corporation - EVP & CFO*

Sarah, it's Tom. Again, that's strategic investments, not investment income, of course, just to be clear on that. That's basically the dynamic we have where we continue to invest to grow product choices, to grow distribution channels, to create more revenue growth opportunities in our overseas markets over time.

Now generally, we've been able to do that -- fund that by finding operational efficiencies, but that's the dynamic, calling out some of the increased strategic investments, underlying business growth, and operating expense efficiencies is all netting to a good growth trajectory for our Global Supp business.

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Sarah James - *Wedbush Securities - Analyst*

Is it still the mid-teens range? I think that's what you said in the past for long-term growth guidance. But now that you're investing in addition to just offsetting with SG&A savings, do you still think it's a mid-teens growth profile business?

Tom McCarthy - *Cigna Corporation - EVP & CFO*

Longer-term outlook, obviously if you look at our outlook for 2017, we've got let's say a 5% head wind in there for currency potential impacts, so it's a little less than that in the 2017 outlook, but over the longer term, that's the trajectory we'd expect to deliver.

Sarah James - *Wedbush Securities - Analyst*

Thank you.

Operator

Michael Newshel, Evercore ISI.

Mike Newshel - *Evercore ISI - Analyst*

Thanks, good morning. Can you confirm whether the MA remediation costs ended up at $100 million for the full year, as you expected on the last call, and how much of a step-down you're expecting this year?

Tom McCarthy - *Cigna Corporation - EVP & CFO*

Michael, yes they did end up at the $100 million we expected, so no surprises in the fourth quarter. I don't think we quantified exactly what the step-down will be, but it's the substantial majority will be the step-down in 2017.

Mike Newshel - *Evercore ISI - Analyst*

Maybe just one last quick sizing question. Can you quantify the Individual market losses that you saw in 2016, including the write-off of the risk corridor receivables?

David Cordani - *Cigna Corporation - President and CEO*

Michael, it's David. I'll ask Tom to reiterate the risk corridor receivable in a moment. We've not quantified the Individual sub-markets losses. We've continued to say that 2014, 2015, 2016 have been loss profiles for that smaller book of business. Remind you that we've run it in 2%, 3% of our aggregate revenue over time. I think our view is that as we look at the industry-level margins, we're in the ball park; or lack thereof margins, we're in the ball park of that result. But we haven't given you the details on it. Tom, can you remind us of the write-off?

Tom McCarthy - *Cigna Corporation - EVP & CFO*

On the risk corridor, again, that came in two flavors. The $80 million, after tax, reflected the balance we had accrued at the end of September that was reserved for and reported as a special item, so not reflected in adjusted income from operations. And $16 million, after taxes, of what we otherwise would have expected to accrue related to risk corridor recoveries in the fourth quarter, which we were not able to accrue because we had made the determination regarding its collectibility.

Mike Newshel - *Evercore ISI - Analyst*

Great, thanks guys.

Operator

Thank you Michael Newshel. At this time I turn the call back over to David Cordani for closing remarks.

David Cordani - *Cigna Corporation - President and CEO*

Thank you. To conclude our call, I'd like to just underscore some key points from our discussion. We concluded the year with positive operating momentum and we enter 2017 with an expected attractive outlook to our growth profile. We reported strong revenue and earnings performance in our Global Health Care and Global Supplemental Benefits businesses, and noted improvements in the latter half of the year with the challenges we confronted earlier in the year in our Group Disability and Life business.

We remain committed to achieving our average annual EPS growth rate of 10% to 13% over the long term. We are confident in our ability to deliver on our attractive 2017 outlook of 12% to 18% earnings growth, further strengthened by our meaningful capital position and exceptional flexibility.

I'd once again like to thank my colleagues around the world who embody our mission and execute our strategy every day for the benefit of our customers, our clients, and our partners. I also want to thank you our shareholders for joining our call today, and for your continued interest in Cigna. Thanks.

Operator

Ladies and gentlemen, this concludes Cigna's fourth quarter 2016 results review. Cigna Investor Relations will be available to respond to additional questions shortly. A recording of this conference will be available for 10 business days following this call. You may access the recording conference by dialing 203-369-3807, or 800-509-8621. Thank you for participating, we will now disconnect.