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CI.N - Q4 2019 Cigna Corp Earnings Call

EVENT DATE/TIME: FEBRUARY 06, 2020 / 1:30PM GMT

OVERVIEW:

Co. reported 2019 consolidated adjusted revenue of $140b, consolidated after-tax earnings of $6.5b and consolidated EPS of $17.05. Expects 2020 consolidated adjusted revenue to be $154-156b and 2021 EPS to be $20-21.

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PRESENTATION

Operator

Good morning. Ladies and gentlemen, thank you for standing by for Cigna's Fourth 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 full year 2019 financial results as well as our financial outlook for 2020.

As noted in the 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.

In our remarks today, we will be making some forward-looking statements including statements regarding our outlook for 2020 and future performance. These statements are subject to risks and uncertainties that could cause actual results to differ materially from our current expectation. 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 fourth quarter, we recorded an after-tax special item charge of $116 million or $0.31 per share for integration and transaction-related costs. We also recorded a special item charge of $162 million or $0.43 per share for severance costs associated with a series of actions we are taking to improve our organizational efficiency. As described in today's earnings release, special items are excluded from adjusted income from operations in our discussion of financial results.

Please note that consistent with past practice, when we make prospective comments regarding financial performance including our full year 2020 outlook, we will do so on a basis that excludes the impact of any future share repurchases or prior year development of medical costs. Additionally, our outlook for 2020 assumes a full year of earnings from Cigna's Group Disability and Life business. We continue to expect our divestiture of that business to be completed by the third quarter of 2020.

I will remind you that, as previously disclosed, beginning in 2020, we will no longer exclude contributions from transitioning clients from our performance measures as the transition for those clients was substantially complete as of December 31, 2019. And finally, I would note that this morning, we posted an investor presentation to the Investor Relations section of cigna.com that outlines our strategy and track record, the strength of our 4 growth platforms, 2020 operating and capital guidance and details of our longer-term outlook. We hope that you will find this a helpful resource. With that, I will turn the call over to David.

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

Thanks, Will, and good morning, everyone. Thank you for joining our call today. In 2019, we delivered consolidated adjusted revenue of $140 billion and grew earnings per share by 20% to $17.05. As a result, we exceeded the guidance that we had already raised each quarter during 2019 for revenue, earnings and EPS as well as cash flow from operations.

Today, I'll comment on how we delivered these exceptionally strong results and on the contributions made by each of our 4 growth platforms, led by Health Services and Integrated Medical segments. I'll also discuss how we are positioned to drive attractive growth in 2020 and achieve our 2021 EPS target of $20 to $21 per share. Finally, I'll highlight a key point of differentiation and a driver of future growth, our focus on being the undisputed partner of choice in health care. Following my comments, Eric will share more details about our full year 2019 financial results and 2020 outlook, and then we'll take your questions.

Let's dive in. At our Investor Day last year, we committed to building on our decade-long track record of delivering industry-leading cost trends, consistent growth and effective capital stewardship. In 2019, we delivered on each of these commitments. By remaining focused on our customers and patients, we executed well across each of our businesses, deepened our customer relationships and achieved our integration priorities. Together, this fueled our outstanding performance.

In Health Services, we delivered market-leading customer and client retention, including 97% retention for the 2020 selling season and continued strong organic growth in prescriptions. In Commercial, we again delivered industry-leading medical cost trend and grew our Commercial medical customers for the tenth consecutive year led by another year of double-digit growth in the Select segment. And in our Government business, CMS' most recent Stars ratings position us to have 87% of our Medicare Advantage customers in 4-star or higher plans for 2021, a reinforcement of our strong customer satisfaction and high levels of clinical quality.

Additionally, we made significant progress in advancing our 5 key integration priorities. First and foremost, we kept our promises in the marketplace by ensuring our more than 170 million customer relationships around the world experienced ongoing high service quality throughout the year. Second, we delivered medical and pharmacy cost savings for the benefit of our customers and clients, effectively completing their transition to industry-leading pharmacy solutions, including Accredo's Specialty Pharmacy and Express Scripts customer-friendly home delivery pharmacy. Additionally, more than 95% of our customers have access to SafeGuardRx, an innovative suite of value-based programs that improve care and value for customers with challenging medical conditions. Third was our focus on talent. As a health service company, our talent and their engagement is key to our performance and ongoing growth. Our retention and engagement levels today, 1 year into our combination, are above our already strong pre-transaction levels. Fourth, we made significant progress towards securing base operating expense synergies. The organizational efficiency plan we announced earlier today is another important step toward achieving these targets. And finally, we kept our vision top of mind by accelerating marketplace innovations that improve affordability, predictability and simplicity, including our Embarc Benefit Protection program which improves customer access to life-changing gene therapies while shielding clients from the price shock of multimillion-dollar treatments; our digital health formulary to better curate and generate value from the 300,000 digital health apps in the marketplace today; and our Patient Assurance Program, where insulin-dependent patients with diabetes pay a maximum of $25 for a 30-day supply of insulin. As a result of this program, our customers are already realizing significant out-of-pocket savings.

Overall, 2019 was an exceptionally strong year for Cigna and gives us considerable momentum for ongoing attractive growth in 2020 and beyond. Our achievements were, and continue to be, driven by the focus, commitment and passion of our employees who wake up every day to fulfill our mission to improve the health, well-being and peace of mind of those we serve. In 2020, we will continue to drive significant growth in customer relationships, revenue, earnings and EPS as well as strong cash flows.

In Health Services, we expect adjusted script growth in a range of 20% to 23% over our year-end 2019 levels. In Integrated Medical, we are on track for continued medical customer growth, highlighted by our Government business, where we expect 13% to 16% customer growth in Medicare Advantage, and we remain positioned for very attractive growth over the next 5 years.

Additionally, after a very successful first year as a combined company, we remain on track to complete our integration activities over the next year. We also expect to close the sale of our Group Disability and Life business to New York Life by the third quarter this year, and we are on track to return our balance sheet to normalized levels of debt by year-end 2020. In short, we are on pace to meet the commitments we made when we announced the combination nearly 2 years ago and meet the commitments we made at our Investor Day in May of 2019.

Looking forward, a key point of differentiation and growth driver for Cigna in 2020 and beyond is our orientation toward partnering in order to achieve accelerated innovation, improved affordability, predictability and simplicity and to further expand our distribution reach. Several recent examples demonstrate our proven differentiation. First is our new arrangement with Prime Therapeutics. Starting in April 2020, together, we will make pharmacy care more affordable, by enhancing pharmacy networks and pharmaceutical manufacturer value for Prime's 28 million members who are covered by 23 health plans, including employer programs, Medicare and Medicaid. Together, Express Scripts and Prime will help each other to continue to grow in the market across the country by innovating new solutions to improve affordability, increase access to medicine and further improve individual health. This agreement shows our ability to work across health care and partner with those who seek to deliver innovative high-quality health services and solutions to employers, health plans and governmental agencies for the benefit of customers and patients.

A second example of our partnership orientation is our work with emerging and highly innovative companies. A great recent example of this is our partnership with Oscar Health. With Oscar, we will deliver new innovative solutions for small businesses, which all too often are left with limited options that are highly priced. We will offer small businesses access to affordable, fully-insured health plans that broaden choice and prioritize whole person health. We will focus in 4 geographies with Oscar later this year and we'll take our proven test and learn framework to accelerate growth over time.

A third example is our trusted relationships with health care professionals. We have a long history of innovative value-based arrangements with health care professionals in both our U.S. Commercial and Government businesses, including more than 650 collaborative accountable care relationships. Today, more than 65% of Cigna's medical payments are in value-based arrangements across our top 40 commercial markets and all our Medicare markets. Importantly, 92% of health care providers in our programs are delivering differentiated levels of quality and 90% of health care providers believe Cigna is the industry leader in this area. These deep partnerships drive our growth, particularly in Medicare Advantage, where we focus on geographies where our commercial business already has aligned high-performing collaborative accountable care relationships in place.

Approximately 25% of Medicare eligible seniors live in geographies where our Commercial business has deep ties and delivery systems but where we have no Medicare Advantage presence today. That provides a meaningful growth opportunity for our Medicare Advantage business that we have begun to capitalize in 2020 by accelerating our geographic expansion and bringing new PPO solutions to market. This, combined with the fact that 87% of our Medicare Advantage customers are in 4-star or greater plans in 2021, and our high customer NPS levels which approximate 70 across all of our markets, make us excited about our future customer growth, which we project to be in the range of 10% to 15% on an annualized basis over the next 5 years.

Each of these examples gives a clear view of how diverse health care stakeholders view Cigna as their best partner for future success and how being the partner of choice in the health care marketplace will contribute to our sustained, differentiated growth over time.

Now briefly to summarize. At Cigna, we delivered exceptional full year 2019 financial results across our 4 growth platforms, led by Health Services and our Integrated Medical segments. These results drove strong financial performance in 2019 and provide us with considerable momentum as we step into 2020 with outstanding strategic and financial flexibility, and we remain on track to deliver our EPS goal of $20 to $21 per share in 2021. With that, I'll turn the call over to Eric.

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

Thanks, David. Good morning, everyone. In my remarks today, I will review Cigna's 2019 results and provide our outlook for 2020. Key consolidated financial highlights for 2019 include: adjusted revenue of $140 billion; earnings of $6.5 billion after tax; earnings per share growth of 20% to $17.05; and operating cash flows that more than doubled this year to $9.5 billion. These results reflect strong, consistent execution across our businesses throughout 2019.

Regarding our segments, I'll first comment on Health Services. Full year 2019 revenues were $96.4 billion and pretax earnings were $5.1 billion. Results for 2019 reflect organic growth with outstanding client retention and the addition of 2.7 million pharmacy customers, strong volumes with 1.22 billion adjusted pharmacy scripts fulfilled and growth in Specialty Pharmacy. Overall, Health Services performed well in 2019 with results in line with our expectations and reflecting significant progress across our integration activities.

Turning to Integrated Medical. 2019 revenues grew 11% to $36.5 billion driven by commercial 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 organically grew our global medical customer base to 17.1 million lives. In 2019, we once again delivered double-digit organic customer growth in our Select segment with continued enrollment gains in middle market. Full year earnings grew 9% to $3.8 billion, reflecting growth in medical customers and specialty relationships, strong operating expense discipline and continued effective medical cost management.

Turning to medical costs. For our total U.S. commercial book of business, full year medical cost trend for 2019 was approximately 4%, which marks the seventh consecutive year Cigna has delivered an industry-leading result. Our full year 2019 total medical care ratio or MCR was 80.8%, finishing the year at the low end of our guidance range. Our MCR performance reflects stable trends and focused execution of affordability initiatives across our Commercial and Government businesses and the pricing effect of the health insurance tax suspension. Full year 2019 Integrated Medical earnings benefited from $85 million pretax of favorable net prior year reserve development. Overall, Cigna's Integrated Medical segment delivered strong financial results in 2019.

In our International Markets business, revenues grew to $5.6 billion, an increase of 8% on a currency-adjusted basis, and full year 2019 pretax earnings grew to $762 million, reflecting continued business growth partially offset by unfavorable foreign currency impacts.

For our Group Disability and Other Operations segment, full year 2019 revenues were $5.2 billion. Full year pretax earnings for this segment were $501 million with strong performance in Life and continued administrative efficiencies partially offset by higher disability claims.

For our Corporate segment, the full year 2019 loss was $1.8 billion primarily driven by $1.7 billion of interest costs. As Will mentioned, during fourth quarter, we reported a special item charge of $162 million after-tax for severance costs related to our organizational efficiency plan. Under this plan, we will implement efficiency initiatives that we identified primarily through our integration work. These actions reflect our commitment to providing affordable quality solutions to the marketplace and the savings associated with this plan are included within the multi-year administrative expense synergy targets that we've previously communicated. Overall, Cigna's 2019 results reflect focused execution across each of our businesses.

Before discussing our outlook for continued attractive growth this year, I would remind you of the 2019 earnings per share baseline adjustments that we quantified on our third quarter earnings call. Specifically, Cigna's earnings per share performance in 2019 should be adjusted for the following 3 items: first, $0.12 per share for the tax item we favorably settled in the second quarter of 2019; second, $0.18 per share of favorable net prior year reserve development; and finally, $0.25 per share associated with the industry tax, which was suspended for 2019 but returns in 2020 for a final year. This impact is increased to reflect the incremental timing effect of the recent repeal of the industry tax. When adjusting for these impacts, Cigna's 2019 earnings per share baseline was $16.50.

Turning to our outlook. We have entered 2020 well positioned to drive both continued growth and innovation. We also expect to complete our integration activity associated with the Express Scripts combination over the next year. For full year 2020, we expect consolidated adjusted revenues in the range of $154 billion to $156 billion, representing growth of 10% to 11%. We expect full year 2020 consolidated adjusted income from operations to be $6.8 billion to $7 billion or $18 to $18.60 per share. This represents growth in the range of 9% to 13% over our 2019 baseline. We expect the cadence of earnings per share in 2020 to be approximately 47% in the first half and 53% in the second half of the year, taking into consideration seasonality patterns within our businesses. For 2020, we project an expense ratio in the range of 8.6% to 9.1% and a consolidated adjusted tax rate in the range of 23% to 24%. Additionally, our outlook excludes any contribution from future share repurchases and prior year reserve development and assumes a full year of contributions from our Group Disability and Life business. And as previously communicated, in 2020, we will no longer report transitioning client contributions since those transitions were substantially complete as of December 31, 2019.

I will now discuss our 2020 outlook for our segments. For our Health Services business, we expect full year 2020 earnings in the range of $5.3 billion to $5.45 billion. This represents year-over-year growth in the range of 4% to 7%. In Health Services, we expect first quarter 2020 earnings to grow by a mid-single digit percentage over first quarter 2019. This outlook reflects solid underlying growth and the benefits of increased year-over-year administrative expense synergies. I would also note that we expect our first quarter 2020 Health Services SG&A expense ratio to be higher than first quarter 2019, reflecting impacts of the client transitions we've discussed previously and including startup costs associated with our collaboration with Prime Therapeutics.

For 2020, we expect adjusted pharmacy scripts in the range of 1.47 billion to 1.50 billion claims. This reflects the impact of completing the insourcing of Cigna pharmacy services, growth associated with the first year of the Prime collaboration and additional organic growth of 25 million to 35 million adjusted pharmacy scripts. All in, this represents year-over-year growth of 20% to 23%.

For Integrated Medical, we expect full year 2020 earnings in the range of $4 billion to $4.1 billion, which represents growth of 11% to 13% over the 2019 baseline. This outlook reflects strength and growth in our businesses driven by continued benefits from organic customer growth, deepening of customer relationships and effective medical cost management. This outlook also included the benefit of administrative expense synergies. Key assumptions reflected in our Integrated Medical earnings outlook for 2020 include the following. Regarding global medical customers, we expect 2020 growth in the range of 150,000 to 250,000 customers driven by continued organic growth in our Commercial business, led by the Select and Middle Market segments, partially offset by lower National Accounts enrollment. We also expect Medicare Advantage customer growth of 13% to 16%. Our growth outlook also includes an expectation of lower enrollment in our U.S. Individual business and the expected loss of our Texas Medicaid contract, collectively resulting in a reduction of approximately 90,000 customers.

Turning to medical costs. For our U.S. Commercial Employer book of business, we expect full year 2020 medical cost trend to be in the range of 3.5% to 4.5%. We expect the 2020 medical care ratio to be in the range of 80.2% to 81.2%, reflecting the return of the health insurance tax in 2020 and continued strong performance of our Commercial and Government businesses offset by the mix impact of new Medicare Advantage lives and normalized margins in our U.S. Individual business. We also expect strong contributions from our International Markets, Group Disability and Other businesses as they continue to deliver solutions that enhance affordability and predictability and provide a more simplified experience for those we serve.

Regarding interest expense, we expect costs of approximately $1.6 billion pretax in 2020. So all in, for full year 2020, we expect consolidated adjusted income from operations of $6.8 billion to $7 billion or $18 to $18.60 per share. I would also remind you that our outlook excludes the impact of future share repurchases and prior year reserve development and assumes a full year of contributions from our Group Disability and Life business. Overall, these expected results represent a very attractive outlook, aided by the strong performance across our differentiated portfolio of businesses. These expected results also position us well to achieve our 2021 earnings per share target of $20 to $21 per share.

Now moving to our capital management position and outlook. Our subsidiaries remain well capitalized, and we expect them to continue to drive exceptional cash flow with strong returns on capital even as we continue reinvesting to support long-term growth and innovation. In 2019, we deployed $5.2 billion to repay debt, and we repurchased 11.8 million shares of stock for $2 billion. We ended 2019 with a debt-to-capitalization ratio of 45.2%, an improvement of 570 basis points over year-end 2018. For 2020, we expect greater than $7.5 billion of cash flow from operations, reflecting the strong capital efficiency of our well-performing businesses. As previously discussed, we have a near-term focus on accelerated debt repayment and remain on track to return our debt to capitalization ratio to the upper 30s by the end of 2020. In 2020, we expect to deploy $4.5 billion to $5 billion to debt repayment and $1 billion to capital expenditures.

As a reminder, our capital priorities remain as follows: reinvestment back into our businesses to drive further innovation and growth; strategic M&A on a targeted basis; and returning capital to shareholders, which historically we have done primarily through share repurchase. Year-to-date, as of February 5, 2020, we have repurchased 1.2 million shares for $245 million and we have $3.72 billion of remaining share repurchase authorization. Our balance sheet and cash flow outlook remains strong, benefiting from our highly efficient service-based orientation that drives strategic flexibility, strong margins and attractive returns on capital.

Now to recap, our full year 2019 consolidated results reflect the considerable strength and momentum across our 4 growth platforms and continued effective execution of our focused strategy. We are confident in our ability to deliver our full year 2020 earnings outlook, and we remain on track to achieve our $20 to $21 of earnings per share target for 2021. Further, our clear strategic focus, differentiated value proposition across our businesses and outstanding financial flexibility give us continued confidence in our long-term targets for growth in revenue, earnings and EPS. And with that, I'll turn it over to the operator for the Q&A portion of the call.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Justin Lake with Wolfe Research.

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

Wanted to ask a quick numbers question and then a little bit about the capital deployment. So first, just in terms of the Group Disability sale on numbers, I know you have it in there. Just want to understand how you deploy capital that you receive to keep this earnings neutral for 2020. Wouldn't the company have to begin buying back stock early or do an ASR given the earnings will go away at a moment in time and yet the share capital deployment might take time?

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

Justin, it's Eric. Thanks for the question on that. So just to step back. So for the Group Disability and Life transaction, as we noted, in December, we entered into that agreement. We expect $5.3 billion of after-tax proceeds, and we're on track for that to close in the third quarter. So again, the

$5.3 billion, first, will be incremental to our operating cash flow for the year. We've got flexibility in terms of the timing of how we deploy things that -- how we deploy the capital for the year. Our primary focus is on achieving our debt-to-capitalization ratio of below 40% by the end of the year and we've got flexibility beyond that and throughout the year to begin to do share repurchase and such. We haven't provided any specific guidance in terms of the exact timing of the share repurchase, but we do have flexibility to get started on that even in advance of the close.

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

Okay. But will it be earnings-neutral to the year, the combination of losing the disability and the capital deployment?

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

That's our expectation, and that's the guidance that we provided back when we announced the transaction.

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

Okay. And then if I could just ask a question about the Prime relationship. Congratulations on that, obviously. I wanted to understand 2 things. One, in terms of the relationship itself, it's somewhat narrow in focus, but it sounds like it could expand over time. How do you kind of look at the risk versus opportunity, the risk being that some of your existing Express Scripts customers, where you have a much broader relationship, move to Prime and, therefore, could be somewhat dilutive versus the opportunities to work with these Blues and potentially expand that partnership and kind of offset some of that risk?

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

Justin, good morning. It's David. First and foremost, let me just re-underscore how pleased we are to have entered that relationship, the validation of our deep commitment to servicing health plans, partnering with health plans and growing those relationships. Two, your ability to retain any relationship, be it commercial, health plan or otherwise, is based on a couple of basic tenets: a, are you able to drive partnership and alignment; b, deliver differentiated value; c, innovate together. We're committed to doing so. And actually, we view the opposite of the maybe risk that you identified, this further broadens our reach and our opportunity to serve more lives, both individual customers and patients and a broader portfolio of health plans as we go forward. So we're delighted by securing this, and we look forward to beginning to serve that relationship in the second quarter of this year.

Operator

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

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

Okay, great. Actually, this is a quick numbers question first, too. It sounds like you're saying that the guidance basically is similar to what you were saying with Q3, but you've got another $0.05 drag from HIF being removed in 2021. Do I just have that right that, that's the main change versus Q3 initial outlook?

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

Kevin, it's Eric. Really 2 small things to think about there: the HIF incremental drag of a few cents that you noted; and we have the benefit of a few cents pickup because of the lower share count as we completed repurchase from that time period. So those are the 2 differences.

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

Okay. And then a question being, I think that when you guys provided initial membership guidance at the beginning of this year, that was kind of a little bit disappointing. And I guess, it's clear now that some of it's individuals, some of it's Medicaid. But you, in your presentation, have long-term commercial top line growth of 8% to 10%, which is a higher number than I think most people think about as far as commercial growth. How much of that is able to be driven by just growth in the Select and Middle Market accounts? Or do you need to be starting to grow National Accounts and Individual to kind of achieve that over the long term? And how do you -- if so, how do you turn that around?

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

Kevin, it's Eric. I'll start on that. First of all, those targets are very consistent with the results we've driven in the commercial markets for a number of years now. And I think of the growth in that -- the frames that we target in that business as being driven by really 3 things. The first category would be around continued customer growth as we continue to grow in the Select and Middle Market segments. We've got a lot of opportunity to continue to grow in those segments. The next one, I would say, would be on deepening our existing client relationships and so as we work to identify new solutions and deepen our existing solutions in terms of new product sales and, again, for other programs and services. And then the third category to think about would be around working to innovate and to deliver new solutions more broadly. But again, that's the recipe that we've used for a number of years now, and we see a lot of opportunity to continue on that track in the commercial market.

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

And you don't need National Accounts growth per se to do it? Or is that part of the growth pipeline?

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

Kevin, it's David. When you think about National Accounts, put it back in context, we define that segment to remind you much more narrow than maybe the market in total. So for Integrated Medical, it's commercial employers, 5,000 or more employees that are multistate. Based on that definition and our strategy, we view that marketplace as a flat to somewhat shrinking marketplace based on our strategy within Integrated Medical. Now Eric's point two and point three reinforce how we continue to actually grow and deepen relationships with National Accounts. Even today, we're able to successfully do that. And then lastly, what we're quite excited about is adding to that, more broadly, off of our Health Services platform the ability to offer broader coordinated services. So we continue to see deepening of relationships and broadening relationships within National Accounts even with the medical membership performance that you're making reference to. And over time, we see the ability to even further accelerate that by leveraging our Health Services portfolio. So that will be a net contributor as well.

Operator

(Operator Instructions) Our next question comes from Dave Windley with Jefferies.

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

Sorry. I was on mute. Sorry about that. On Medicare Advantage, as you look at a double-digit growth trajectory here, and I think that's your expectation for multiple years, that larger cohorts can sometimes come in and put a little pressure on margin. I'm wondering what your expectations are around that and what kind of platform and resources you have in place to onboard risk or risk assess and get new Medicare Advantage members into programs to mitigate any initial margin pressure.

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

It's David. First and foremost, we're really pleased with the start to 2020. As we indicated in 2019, we expect to grow this platform 10% to 15%, and we're on track to do 13% to 16%. Just back to reminding you of some of the context. We're well positioned today, and in 2021 our Stars rating picks up yet further to 87% of our lives in 4-star or greater plans, and our Net Promoter Score is tracking at a tad over 70 across our broad portfolio. So our ability to grow both in markets, on platforms, net new geographies, being adjacent counties and new markets we're opening and broadening our PPO platform, will fuel this and drive it on a go-forward basis. Clearly, the rate and pace of that growth may put a little margin pressure and draw us toward the lower end of our margin range where we are at times maybe a tad below that. We'll balance that in our portfolio as we continue to invest as we are today, but we like the growth outlook. We like the aggregate margin profile. We like the sustainability. The last sub note maybe to have there in terms of the coding and otherwise. Our value-based provider relationships and our high-engagement programs are well positioned to coordinate the care of the services, et cetera, as reinforced by the Stars rating and as reinforced by our overall performance. So we feel good about the outlook for this year and the trajectory going forward.

Operator

Your next question is from Steve Tanal with Goldman Sachs.

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

So I guess I'll ask one on Oscar. It sounds like a very interesting partnership but trying to understand what elements of their business are difficult or costly for Cigna to build or offer independently. So just trying to really understand what are the functions each of the companies will do in the context of the partnership. And maybe that's it for me.

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

Steve, thanks. It's David. So stepping back, as I noted in my prepared remarks, first, at a philosophical level, we view that the notion of partnering and beyond partnering, striving to be the undisputed partner of choice, it's a competitive advantage and something we want to build on. Why? It accelerates pace of innovation. It accelerates value creation, whether it be around affordability, predictability, simplicity, and it could broaden speed and absolute reach within the marketplace. Oscar is a wonderful example of that. And if you take it up to the macro level, you'll recall that Cigna's historically not participated in the smallest end of the employer marketplace, be it under 50 or under 100 depending on where the regulatory lines are drawn from that standpoint. Two, we believe it's an underserved marketplace with less choice and less leverage of some of the most innovative solutions. Now to the core of your question, when you're open-minded to partnering, you could have both focus and acceleration, in this case, by leveraging Oscar's phenomenal, technological infrastructure, digital-first infrastructure and information flow infrastructure, which is similar to our philosophy but we just apply it upmarket in Select, Middle and National. And this is a case where we're philosophically aligned, but the durable infrastructure is there to serve the unique needs of the small employers, and then we're able to pour it over our value-based network configurations, our high-performing engagement, clinical, behavioral, pharmacy capabilities to make 1 plus 1 equal a lot more than 2. So we're excited about that. And as I noted in my prepared remarks, we're staged to open up 4 markets towards the latter part of this year and then fuel some growth.

Operator

Our next question is from A.J. Rice with Credit Suisse.

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

Just to maybe ask about the 2020 bottom line and 2021 bottom line ranges that you have for -- 2 parts to it. First, Eric made some comments about divisional level seasonality this year and how we might think about that. I know some of your peers have made a bigger deal about the first quarter and the impact of leap day. Perhaps because your business is diversified, it doesn't mean as much to you, but is there anything you'd like to say about the seasonal pattern relative to a normal year. And when you think about the range itself, I guess my question is, there's a number -- you've got a number of business lines. You've got variability around your capital deployment and cost synergy realization. Is that -- is there a couple of things in that range that you see as standing out that would particularly move you into the high end or the low end of your forecast given its $0.60 range and $1 range for this year and next? Or is it just the agglomeration of all these different business lines and it falls out? But I guess I'm just trying to figure out if there a couple of things that are big variables in your mind as to where you're going to be, say, versus the $20 to $21 next year.

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

It's Eric. On the item related to the leap year and February having an extra day this year, that does move the pattern around a little bit in the Integrated Medical segment. All else equal, that runs the loss ratio up a little bit for the first quarter, it will normalize out over the course of the year. Of course, fully factored into our guidance and such, but that does put a modest amount of pressure on the first quarter that will recover over the balance of the year, nothing that I would call out as particularly significant. As it relates to the range more broadly, there aren't any big items I've called out other than just the rate and pace of our spending and our investments in terms of future growth. As you know, we have continued to invest in building new capabilities and the like. There's spend every year as we get ready for new clients to come on board and things along those lines. So it would be those types of items that I'd think about more than anything else at this point.

Operator

Our next question is from Ralph Giacobbe with Citi.

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

I want to go to interest expense guidance. So it looks like you're run rating to $1.6 billion, at least as of the fourth quarter. The guidance calls for $1.6 billion of interest cost in 2020 despite the $4.5 billion to $5 billion debt pay down. So is it just timing related? Maybe if you can kind of help reconcile that? And then along those lines, I guess, to Justin's first question, I just want to make sure. That share repo, I mean, to the extent that you're doing it and accelerating it early on as an offset for the Group Disability and Life, does that mean any upside, essentially, in the first half of the year, essentially, it's not going to carry through to the EPS line simply because of the timing again?

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

Ralph, it's Eric. So on the interest expense, really nothing in particular I'd call out other than and maybe looking out to the decimal point a little bit further and the timing throughout the year. Obviously, to the extent we were to extinguish debt earlier, the interest expense will go down, but again, our current expectation would be for $1.6 billion, as I noted in my prepared remarks. In terms of the timing on the capital deployment, the mechanics are consistent with what I outlined to Justin's question. We do have flexibility in terms of the timing at which we would deploy. Our expectation is that we would fully offset the absence of the Group transition by reducing the share count through share repurchase, and we'll approach that as we go through the course of the coming months and quarters here.

Operator

Our next question from Sarah James with Piper Sandler.

Sarah Elizabeth James - *Piper Sandler & Co., Research Division - Director & Senior Research Analyst*

Looking at the 5-year Medicare growth strategy. There's a shift to focus on PPO. Wondering what dynamics changed in the market to make PPO more attractive. And why not focus on Group, given your large National Account base? Your peers have had good success on retiree accounts. So why is that not a strategy Cigna's pursuing?

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

Sarah, it's David. So first and foremost, I wouldn't view it as a shift. We didn't go from something and away from something to something. So the individual HMO continues to be a bedrock of the platform and, in fact, is a major driver of our growth in 2020 as an example of that. We sought to add the individual PPO platform to our portfolio, invested to do so, stood it up and have the arrangements with the value-based provider community to be able to offer that. So it's expanding choice and building on a successful platform and track record. And as we both enter new markets and expand in counties, we will make our decisions in terms of individual HMO, individual PPO or both on a go-forward basis. We just see it as an and and a natural extension of our portfolio. Additionally, to your important point, we view that the employer marketplace is also a very attractive addressable market. And as you know, beyond National Accounts, our broad, well-performing commercial portfolio of employee relationships presents another opportunity for that, and it's on our growth trajectory. We're just very disciplined as it relates to building the momentum. So going from the proven HMO to adding the PPO, expanding geographies, and you should expect us over time to come back and talk with you about the very attractive additional growth opportunities that exist in the employer marketplace for us as well.

Operator

Our next question is from Gary Taylor with JPMorgan.

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

Two quick numbers questions. The first one is to Eric on the 80 basis point impact on the MLR from the HIF recurring next year. Just wondering when you derive that, do you just presume that on MA there's no impact because there's no explicit gross-up there, which is kind of a yes/no question. My other question was on the PBM. So for next year, you've got like 5% at the midpoint pretax growth on like 22% script growth. Obviously, the Prime scripts are coming in at breakeven, you've told us. We know that the Optum scripts coming over are lower profitability per script. So when we just think about the core and the organic growth in scripts, should we assume that organic EBITDA margins are similar, those new organic scripts are coming in at similar margins and the sort of dilution in profitability per script is purely being driven by Optum and Prime?

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

Gary, it's Eric. On the first part of your question, I think the short answer is yes. Think of that as not having a specific impact in terms of the quantification, given there's not a way to specifically build that into how you bid for MA. On the second portion of your question, I think also the answer is yes. The dynamics you outlined are really the biggest pieces here. When you adjust for the Prime volumes, and you adjust for the Cigna transition volumes, I think of the core, aside from those items, as being consistent.

Operator

Our next question is from Matthew Borsch with BMO Capital Markets.

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

Can I just ask about the commercial market, maybe a little bit about what you've seen from, I guess, what you call your Select segment in terms of preference to shift to alternate funding away from risk and if you've got any sense for how that may be affecting the risk pools. I'm asking the question partly in light of another company that spoke to seeing some deterioration in the remaining underwriting risk.

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

Matthew, it's David. So specific to the commercial marketplace, and I think you're going into the Select segment, recall that we offer choice in that marketplace. The choice is heavily oriented around a well-configured, integrated value proposition with the medical, the pharmacy, the behavioral, the care management programs, et cetera, and building choice around funding options. Today, think about, from a new business standpoint, it's tracking about 50-50. About 50% of the new business we're writing right now is risk. About 50% of it is ASO stop-loss, plus or minus, and that vacillates in any given year a little bit more one, a little bit more of the other, and we're delighted with that. We're delighted to be able to be in position to offer it in that way. I'd also remind you from prior conversations, one of our strengths when you offer that choice is oftentimes, you're literally offering that choice side by side. And it's a good validation for the purchaser, in this case the client, of our conviction to the ASO proposition when you're able to put the guaranteed cost side by side. But today, think about it, the new business is running about 50-50 and I wouldn't describe any difference we're seeing in terms of your terminology from a risk pool standpoint of performance. It's performing really well for us.

Operator

Our next question is from Josh Raskin with Nephron Research.

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

I'm going to ask a little bit about capital deployment, and you're talking about getting your debt-to-cap under 40% by the end of this year. You've got another $5.3 billion of proceeds from Disability and Life and $7.5 billion of available deployable cash next year. You think about adding all these numbers up and it's approaching 20% of the market cap. And I understand the priorities, but is there a little bit more urgency from a capital deployment perspective rather than sort of sitting on cash that's dilutive to returns? Do you think about more aggressive buybacks? Is there a dividend increase, things like that? I'm just curious if you're starting to feel a little bit more pressure in terms of that deployment.

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

Josh, It's Eric. Appreciate the way you framed that up. Obviously, we're very excited about the capital generation that we've got, the cash flow from operations visibility that we've got for 2020 and into 2021, and that gives us a lot of flexibility. I think we've got a really good track record of not, to use your word, sitting on cash. We will deploy the capital in a way that's effective and aligned with our shareholders' interest and such versus it just accumulating, to be clear. But again, the overall history we've got from -- and track record we've got from an effectiveness of capital deployment and managing our capital, coupled up with the visibility and flexibility that we've got coming with the capital available for us, is an exciting combination. David, I don't know what else you'd add on that.

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

I'll just reinforce -- Josh, I appreciate your question. Recall from the -- our strategic positioning, pre combination, aided to by the combination, et cetera, our ability to generate a significant amount of operating cash flow is a critical competency and we believe a strategic advantage with $9.5 billion in 2019, at least $7.5 billion in 2020 and at least $8.5 billion in 2021, so quite deliberate. And as Eric said, we note the importance of that responsibility, not something we take lightly, but our effective capital stewardship responsibility will be clear as we go forward, and we have tremendous value creation opportunity in front of us right now.

Operator

Our next question is from Lance Wilkes with Bernstein.

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

Great. Just had a question on the Individual business line and the strategy and appetite in that business going forward. And then maybe also if you can comment on the SG&A increase in Health Services for the fourth quarter and maybe what drove that.

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

Lance, it's David. I'll take the first question and I'll ask Eric to take the second part of your question. Individual business line, I'm presuming you're referencing the individual exchange. Just to remind everybody, the individual exchange marketplace, we took a very focused, deliberate posture on that, in that marketplace in 2014 and have stayed steady within that marketplace, systematically but slowly growing our posture. We're in 10 markets today. Think about the positioning of being in 10 markets highly oriented around leveraging our value-based provider relationships, and that marketplace has performed pretty darn well in the last couple of years. Going forward, we'll monitor the competitive landscape, but we see the ability to continue to grow that reasonably over time with fair returns. Cornerstone to our value proposition, though, is ensuring that in those states, we go down to sub-MSA level and make sure we're building the value prop or the offering around our highest-performing physician relationships and getting the requisite alignment with the delivery system. And thus far, that's performed well for us. And we look forward to year in, year out making individual decisions of additional market expansion. Eric, I'll ask you to address the SG&A comment.

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

Yes. Lance, it's Eric. On the Health Services, fourth quarter, really 2 items that I'll have you think about on that front. One, as we noted throughout both David and my prepared remarks, continue to spend to invest in terms of building new and additional capabilities and such. Additionally, we're spending on facilitating and effectuating the transitions associated with the full re-insourcing of the Cigna volumes and the like. The other item I would just note that we've provided some commentary throughout the year last year around the effect of the transitioning client going away, sometimes the volumes in our transitioning clients wound down, that's added cost back into the core, if you will, and we're well on track to extinguish that as we work through 2020.

Operator

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

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

I'd like to follow up with -- on Dave's question earlier about margins in Medicare, and in particular, timing of when that will start to add to your earnings from a perspective of -- first off, how are you getting the members that you're getting today? Are they coming electronically? Are you setting up broker networks? And can you talk a little bit about the channel and how that's going to evolve going forward? And then also in 2021 with ESRD patients coming on, how do you expect that to impact your margins in the Medicare business?

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

Peter, it's David. First, broadly speaking, just to reiterate, we're really pleased with the positioning we have in our existing MSAs and expanding into new markets. Our individual HMO platform is the lead offering still and the lead part of the growth chassis, aided by the new market entrées as well as the PPO platform. Specifically, to your question of how we go to market, think about that as an and proposition. So it's a multi-channel

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approach relative to captive partnered and otherwise and expect that to continue to expand over time. Specific to the margins, as I mentioned to the prior question, the margins, we would expect to be at the lower end of the range that we put out as a long-term range as we accelerate our growth trajectory over the near term potentially ticking below that. Having said that, with the growth, we would have earnings growth that, that brings along with it. And finally, relative to ESRD, as we flagged in the past when asked that question, it will be a smaller impact on our aggregate franchise. We will manage the final ESRD posture, MSA by MSA, benefit offering by benefit offering in alignment with our value-based physicians. And we'll be well positioned to manage that to the extent the final changes transpire as currently proposed from that standpoint. Net-net, taken together, attractive growth, even at the lower end of the margin range, we will be experiencing earnings expansion while simultaneously investing for growth going forward.

Operator

Our next question is from Frank Morgan with RBC Capital Markets.

Frank George Morgan - *RBC Capital Markets, Research Division - MD of Healthcare Services Equity Research & Analyst*

Two real quick questions. Any thoughts on last night, CMS proposed rule around 2021 MA rate update? And then any update on the Cigna, Anthem litigation?

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

Frank, it's David. Specific to the rate notice, as you might imagine, we're digesting the detail of it given the magnitude of it. It's the preliminary notice. You know the process in terms of getting to the final rate notice. Big picture, I would suggest to you we're macro in line with the aggregation of what that rate notice indicates. And when we think about the posture of that rate notice, the expansion of our charge proposition for 2021, we'll be in good shape for 2021. More to follow, but big picture, our impact is, broadly speaking, in line with what the rate notice speaks to. As it relates to the -- you asked specifically about the Cigna, Anthem litigation. That is on course to resolve itself by the end of this calendar month.

Frank George Morgan - *RBC Capital Markets, Research Division - MD of Healthcare Services Equity Research & Analyst*

Any other color you can share on that? What gives you confidence it will be wrapped up this month and would that result in a settlement payment?

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

No comment in specificity relative to litigation other than I would reinforce, we feel very strong about our position relative to our contractual responsibility and contractual ability to collect our break fee, and the court is on track to resolve that by the end of this calendar month.

Operator

Our next question is from George Hill with Deutsche Bank.

George Robert Hill - *Deutsche Bank AG, Research Division - MD & Equity Research Analyst*

I guess, David, you talked a lot about the partnership strategy and maybe digging a little bit more into Prime -- the Prime deal. I guess, can you talk about the network component of it and I guess, where do you guys see the most significant points of operating leverage that deliver through to earnings beyond 2020? Is it more on the rebate side? Or is it more on the network side? And kind of can you talk a little bit about the strength that each side brought to the relationship?

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

Yes. I'm not going to go through the micro pieces of the components of the relationship. I'd rather just reframe what we're trying to achieve together. This is a wonderful example of 2 organizations identifying philosophical alignment and strategic alignment and then pursuing leverage that results in additional value for customers and clients. That's the end of and the net-net of this, which is improved affordability, potentially improve coordinated access and then clinical program leverage on a go-forward basis. We will continue to work with Prime in terms of the best ways in which we could add additional value for them. There's 28 million individual relationships that our customers and members that are within the Prime relationship. And we'll be guided by the components that they feel we could create the most value for. We'll make value-added suggestions and evolve that over time, all with the objective of creating more value for their members and clients and, therefore, getting some benefit for Cigna as well over time. So we're delighted with it and it's another validation of our ability to work with other like-minded partners to create mutual value.

George Robert Hill - *Deutsche Bank AG, Research Division - MD & Equity Research Analyst*

Maybe a quick follow-up then is, how do we think about you guys effectively strengthening a competitor at the margin or kind of enabling their competition against you in the PBM business?

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

We don't -- I appreciate the question. We think about it the exact opposite way. It's a dynamic marketplace and those who create the most value will win, those who try to preserve or regress to control value will lose over time. So big picture, we're more oriented around a perpetual innovation cycle and continue to drive more value. And we like to do that with others and create mutual value and we have a long track record. The legacy of ESI has that. The legacy of Cigna has that, and we're fueling more of it. So this is an opportunity to create more value for 28 million more customers starting in 2020 and further improve affordability and further improve quality from that standpoint, that's a great outcome. Each organization has to continue to innovate. Each organization has to deliver value, and there's ample growth opportunity in front of both organizations going forward, and we'll align to mutually identified beneficial opportunities for both organizations to grow, but the cornerstone is innovation and more value delivery. So we view it as upside and not downside.

Operator

Our next question is from Ricky Goldwasser with Morgan Stanley.

Rivka Regina Goldwasser - *Morgan Stanley, Research Division - MD*

As we start thinking about 2021 selling season for the PBM business, can you give us some sense of the size of the book that's up for renewal and also any -- what are -- what's the size of the opportunities you're seeing that's up in the market from the other PBMs? And then my second question is on the MA growth guidance. Obviously, you came in -- the guidance you gave based in January, I think it was ahead of your initial goal, at least near-term goals. So maybe you can share with us what really resonated in the marketplace. And what do you think drove the above expectations performance or at least its materializing earlier?

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

Ricky, it's David. Specific to the 2021 PBM selling season, break it up into 2 components: health plan relationships, corporate relationships. As we sit here today, the health plan relationships, as you would expect, draw to a closure or completion sooner given the size, shape and scope of those relationships. They're substantially completed through the renewal cycle, and we feel great about the outcome. So that would be the picture I gave you for 2021, continued strength from that standpoint. The corporate part of the relationships are getting into full steam right now. We think we're going to have another very good year from that standpoint, and our value proposition is resonating very well in the marketplace, specifically relative to the -- our value proposition and some of the new innovations that we put into the marketplace, be it the Patient Assurance Program, be it HealthConnect 360, et cetera. Put a circle around it, in aggregate, think about the size of the book moving or up to move about -- from a normal standpoint. As it relates to Medicare Advantage, pleased that you're calling out the fact that we're a bit ahead of the marker we put down before. Remind you, we said 10% to 15% on average over time. We said in our first year, we would expect it to be at the lower end of the range as we're stepping into that new result. There's no one driver of what moved us to the 13% to 16%. I would call out a bit higher retention, so what we had initially put into our projection. Our retention is even higher. We love that. And as I noted in my prepared remarks, we're sitting at an NPS right now just in excess of 70 across the aggregate book of business that we have and the vast majority of our customers in this space are in value-based arrangements. So I wouldn't call out anything else. Our existing platforms drove the majority of it. Our new markets contributed, and we had a bit higher retention rate.

Operator

Our next question is from Scott Fidel with Stephens.

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

A question just on hospital volumes. And there's been a little bit of debate on whether those have been picking up or not over the course of the year. And just interested from your perspective across both the Commercial and Medicare books, what you saw in terms of hospital volumes in the fourth quarter and how those trended relative to your expectations.

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

Scott, it's Eric. Overall, nothing that I would call out as particularly notable. We finished the year with a trend of about 4%, which is right in the middle of our expectations. Again, nothing that I would call out as a particular change in trajectory in either the Commercial or in the Government business.

Operator

Our next question is from Steven Valiquette with Barclays.

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

All right. Great. Dave and Eric, so I have 2 just somewhat interrelated questions on pharmacy. I guess, first, are you able to provide a little more color on your drug procurement strategy going forward for the PBM mail order operations? There's been some conjecture you may be changing one of your buying group relationships. I'm not sure if you be able to comment on that or not. And then secondarily, in pharmacy, for the 3.5% to 4.5% commercial medical cost trend that you're expecting for 2020, are you able to discuss whether this includes any incremental pharmacy savings and maybe a lower pharmacy trend this year versus prior years, which obviously may be tied to further integration?

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

It's David. I'll take the first question. I'll ask Eric to take the second question. We don't get into individual actions we're taking relative to our supply chain and procurement strategy. I would just step back and say we have a broad portfolio of tools, solutions and capabilities and we're going to continue to dynamically manage those to get the best possible value for existing and prospective customers and clients going forward. Beyond that, we're not going to comment on any individual actions we're taking in the supply chain activity. Eric, I'll ask you to comment on the trend.

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

Yes, Steve, on the trend piece, we've had pharmacy trend in that low- to mid-single digits range for some time now. I mean, that would be the expectation we'd have going into 2020 as well. Just to remind you, gosh, Express Scripts delivered in 2018 a 0.4% commercial trend. We'll be publishing our Express Scripts client, our drug trend report later this month and expect another really attractive result there, but typically, nothing else I would call out.

Operator

Our last question will be from Charles Rhyee with Cowen.

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

Maybe I can ask about the -- if you look at the chart here in your presentation, and obviously, over the last 10 years, you've really driven your medical cost trend down and you're guiding here 3.5% to 4.5%. If I'm not mistaken, that's sort of the same range you gave last year. I know you've talked about trying to get towards CPI. Anything in the short term that might be keeping you in this range? Can you talk about what are the factors that you're seeing that's going to help you to get lower from here? And sort of how should we think about the pacing of that?

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

Charles, first, to your point, we're delighted with the fact that we have 7 years now and going into a plus in terms of delivering the lowest medical cost trend in the industry. And our clients and customers benefit from that immediately, especially given the profile of our business, highly ASO oriented from that standpoint, and we'll continue to drive exceptional value for our clients and customers. Two, I appreciate you calling out the CPI level goal and objective. A couple of years ago, we put forward the strategic objective which said we strive to deliver a level of medical cost trend approximating CPI by 2021. We viewed that as indicative of a sustainable trend that the system and society could tolerate and manage on a go-forward basis and indicative of a responsible trend. I would note that today, we feel like we're well on our way to that journey, and I would underscore that with the fact that many of our clients today, who have established relationships with us and are leveraging our most advanced consumer engagement, health improvement and value-based relationships, are benefiting from CPI or a better trend from that standpoint. So there's a toolkit we have that we'll continue to innovate and evolve around how do we get engagement in support of the consumer in their life journey, how do we evolve the precision and speed of the health improvement programs, especially as we continue to expand in the whole personal health arena on an accelerated basis with our market-leading behavioral health and pharmacy capabilities and then just further deepening the activation of and value-based care delivery platforms that we have in the marketplace. And we're already able to deliver, as I indicated, CPI or better for many of our clients. So we're going to seek to further expand that in 2020 and beyond. I appreciate your question.

Operator

I will now turn the conference over to David Cordani for closing remarks.

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

Thank you. To wrap up, I'd like to highlight just some -- a few key points from today's conversation. First, to remind you, Cigna delivered exceptional full year 2019 financial results across our 4 growth platforms, led by our Health Services and Integrated Medical segments. We exceeded the guidance we had already raised each quarter for 2019 for revenue, earnings and EPS as well as for cash flow from operations. Looking forward, our 2019 performance gives us considerable momentum for attractive growth in 2020 and beyond. In 2020, we will continue to drive significant growth in customer relationships, revenue, earnings, EPS, as well as continued strong operating cash flow. We are on track to complete our integration activities associated with our combination with Express Scripts over the next year. We expect to close the sale of our Group Disability Life business to New York Life in the third quarter. We're on track to return our balance sheet to normalized levels of debt and be in a position to provide exceptional strategic financial flexibility moving forward just as we committed to when we announced our combination 2 years ago, and we're well positioned to drive attractive growth beyond 2020 and on track to deliver our 2021 EPS target of $20 to $21 per share. We thank you for joining our call today, and we look forward to our future conversations.

Operator

Ladies and gentlemen, this concludes Cigna's fourth quarter 2019 results review. Cigna Investor Relations will be available to respond to additional questions shortly. A recording of this conference will be available for 10 business days following this call. You may access the recorded conference by dialing 800-867-1930 or 203-369-3371. No passcode is required. Thank you for participating. We will now disconnect.
