Co. reported 3Q14 consolidated revenue of $8.8b and adjusted earnings from operations of $519m or $1.95 per share. Expects 2014 consolidated revenues to be at high end of 5-8% growth over 2013 and consolidated adjusted income per share from operations to be $7.25-7.45.
Will McDowell  Cigna Corporation - VP IR

David Cordani  Cigna Corporation - President and CEO

Tom McCarthy  Cigna Corporation - CFO

CORPORATE PARTICIPANTS

CONFERENCE CALL PARTICIPANTS

Ralph Giacobbe  Credit Suisse - Analyst

Justin Lake  JPMorgan - Analyst

Josh Raskin  Barclays Capital - Analyst

Scott Fidel  Deutsche Bank - Analyst

Matthew Borsch  Goldman Sachs - Analyst

Christine Arnold  Cowen and Company - Analyst

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Carl McDonald  Citigroup - Analyst

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CONFERENCE CALL PARTICIPANTS

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by for Cigna’s third-quarter 2014 results review.

(Operator Instructions)

As a reminder, ladies and gentlemen, this conference, including the question-and-answer session is being recorded. Will begin by turning the conference over to Mr. Will McDowell. Please go ahead, Mr. McDowell.

Will McDowell  Cigna Corporation - VP IR

Good morning, everyone. 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 third-quarter 2014 financial results as well as an update on our financial outlook for 2014. David will also provide insights on our expectations for 2015 as well as our long-term growth outlook.
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 term labeled adjusted income from operations and earnings per share on this same basis as the principal measures of performance for Cigna and our business segments. A reconciliation of these measures to the most directly comparable GAAP measure is contained in today’s earnings release, which is posted in the Investor Relations section of Cigna.com.

In our remarks today we’ll be making some forward-looking statements, including statements regarding our outlook for 2014 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. First, please note that when we discuss the number of covered lives for our global medical customers we’ll be doing so on a basis that excludes those individuals that were previously covered under limited benefits plans. As a reminder, we exited the limited benefits business as of December 31, 2013 as required by the Affordable Care Act regulation.

Second, when we discuss our earnings outlook for 2014, it will be on the basis of adjusted income from operations. Finally, I would also note that 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. Before we get started, I would like to take a moment to thank Ted Detrick for his many years of leadership with Cigna. Ted has done an excellent job of communicating our business strategy and performance to the investment community. We all wish him the best in his upcoming retirement.

As you just heard, Will McDowell has already assumed the role of Head of Investor Relations. With his colleagues, Will and his team look forward to continuing the discussion with you as we look to our future.

Now to begin, I’ll review the highlights of our third-quarter financial results. Next, we’ll take a closer look at our transparent funding capabilities, in particular within the Select segment. This segment is one of our fastest growing businesses, where our expertise in tailoring unique offerings through a consultative approach continues to drive value for our customers and clients as well as sustained growth for Cigna.

I’ll then discuss our attractive long-term growth prospects across many of our established and growing markets and address our strategic positioning in emerging markets. I’ll also provide some high-level comments regarding our expectations for 2015.

Then, Tom will offer insights on our performance and our outlook as we enter the final quarter of the year before we take your questions. Following the Q&A I’ll provide some closing remarks.

We’ll get started with some highlights. Cigna’s strong performance in 2014 continued in the third quarter with solid revenue and earnings contributions across our businesses, highlighted by continued delivery of favorable medical costs and operating expense discipline in our global health care business and strong results in our global supplemental benefits business, which continue to be driven by our differentiated distributed capabilities.

Our third-quarter 2014 consolidated revenue increased 9% to $8.8 billion. We reported adjusted income from operations for the third quarter of $519 million or $1.95 per share. In total, our third-quarter results reflect strong, consistent performance driven by continued effective execution of our strategy.
Now, I will discuss the rapidly changing market for healthcare. Employers and individuals are increasingly recognizing that health insurance's traditional role of financing sickness is no longer sufficient, and as such are adopting programs to focus on health improvement, health risk reduction and value-based care delivery. By aligning the incentives of clients, customers and physicians, Cigna is delivering differentiated results.

We’ve spoken about physician engagement before and today we’re going to focus on client engagement via our Select segment. I’ll highlight how our efforts around engagement are delivering superior outcomes for clients and customers as well as strong differentiated growth for Cigna.

Across the US today more than 60% of covered workers are in plans that are completely or partially self-funded. While the vast majority of large firms participate in these plans, currently there is much lower adoption rate for smaller firms. This represents a significant opportunity for Cigna given the proven differentiated value we are delivering fueled by our broad capabilities in the space.

Our approach integrates a broad array of innovative specialty health services along with our base medical offerings that ultimately lead to better health outcomes and differentiated results. The opportunity to provide value is clear as our customers and clients confront an array of challenges related to affordability, predictability and health status. One of our fastest growing self-funded target markets is Cigna’s Select segment, a historically underserved market segment where we customize solutions for employers with between 51 and 250 employees.

Employees in the Select segment constitute approximately 25 million lives of the 160 million employer life markets. To effectively serve this segment we apply our unique health and risk management capabilities to deliver customized solutions that ultimately drive savings for employers and their employees while effectively managing overall health and medical outcomes as well as employee productivity. As for results, we have consistently delivered an industry-leading medical cost trend. For example, below 5% over the past few years.

Cigna’s actionable company-specific clinical reports and wellness program data help Select segment clients understand how their employees are using medical benefits, whether it be emergency-room visits or out-of-network care. Cigna delivers recommendations and aligns incentives to improve affordability and value, including the identification of and paths to address emerging health risks. Risks that if remain unaddressed will result in significant health issues in the future.

We help clients focus on prevention and health improvement by tailoring services such as health coaching and awareness as well as support programs including on-site biometrics and care management solutions, which is unprecedented in the small employer space and which helps individuals maintain and improve their health while also assisting with recovery when they confront illness. The results here are clear, increasing demand for expertise in designing flexible, transparent plan offerings for these employers has driven mid teens organic customer growth on an average annual basis over the last five years in this segment.

Today’s low market penetration of self-funded solutions in the Select segment, which represent about 25%, coupled with the market proof points on value delivery of our innovative approach presents a significant and exciting opportunity as we look to the future. This business is a great example of the type of growth that we expect to see over the long term in our commercial healthcare business.

Now I’ll move to a broader view of the drivers of our long-term growth in a global business environment, characterized by demand for affordable and high-quality care, shifting customer dynamics and changing market forces. As we execute our strategy we continue to have a keen focus on where and how we add value for clients and customers, which in turn has resulted in strong revenue growth and attractive returns for our shareholders.

As we look to the future, we plan to double Cigna’s revenue base over the next 7 to 8 years as we drive an 8% to 10% average annual revenue growth on an organic basis. We expect to attain this competitively attractive result through strong execution of our multiple well-positioned avenues for growth.

In our targeted commercial markets, in both the US and overseas, our continued focus on health, wellness and value-based care delivery is driving improved health outcomes and translating into strong retention and meaningful new customer growth. Taking into account the rapidly changing market environment, we expect high single-digit compounded annual revenue growth in our commercial employer business over the long term, reflecting both the dynamics of our focused market segments and the characteristics of clients that are attracted to our value proposition.
In our US individual business, we expect double-digit compounded annual revenue growth over the long term, with the potential for even higher additional growth as the public exchange market evolves. In our seniors markets, given the favorable demographics and Medicare Advantage participation trends combined with our very effective physician engagement model, we expect to grow revenue in the high single-digit range over the long term.

In group disability and life, our innovative productivity improvement programs are helping employees return to work at a faster pace driving value for customers as well as clients. Based on our focused differentiated programs and results, we expect this segment to generate mid to high single-digit growth rate over the long term.

In the international markets, our deep experience and broad geographic reach in over 30 countries and jurisdictions provide a strong foundation for us to serve the growing middle class in some of the world’s most attractive markets. As we’ve profiled on prior earnings calls, we expect the global supplemental benefits business to deliver a mid teens revenue growth, on average, over the long term, and we’ve built the foundation for sustained, strong growth well into the future through ongoing strategic investments in high-growth markets such as China, India and Turkey. When you couple this attractive organic growth outlook of 8% to 10% on an annual average basis with our industry-leading margins and strong cash flows we expect to deliver differentiated earnings, significant free cash flow and as a result differentiated EPS.

Now turning to 2015, we expect to deliver another year of revenue, earnings and EPS growth. I will provide a little color on how we will achieve this.

Now, to be sure, there are some headwinds for 2015, including a further increase in the industry tax, our expectations of a rise in specialty pharmacy cost trend and for planning purposes the absence of favorable prior-year reserve development. There could also be variability in the rate and pace of both medical cost utilization as well as our spending for strategic investments.

We will offset these headwinds and drive growth with a number of tailwinds. These include, continued growth in our medical customers; growth in Medicare Advantage customers; continued strong performance of our specialty products, including pharmacy, stop loss and dental; continued growth in our global supplemental benefits business; further financial improvement in our individual public exchange business; and further operating expense efficiency.

All in, we expect to leverage our multiple growth businesses to deliver revenue, earnings and EPS growth again in 2015. In addition, we expect our well performing portfolio will again drive strong, free cash flow levels to generate additional shareholder value-creation opportunities.

To summarize my remarks before Tom provides more detail on our results, Cigna’s strong third quarter financial performance continues the track record of superior results and attractive revenue and earnings growth.

We remain focused and continue to execute well in our target markets. We continue to create value for our clients and customers through unique industry-leading wellness and prevention offerings as well as our innovative global marketing and distribution capabilities.

We are strategically positioning Cigna to succeed in emerging market opportunities as they continue to evolve in a highly dynamic, macroeconomic environment. And we’re excited by our ability to double Cigna’s revenue over the next 7 to 8 years and further expand the broad customer base that we have the privilege to serve around the world.

With that, I’ll turn the call over to Tom.

Tom McCarthy - Cigna Corporation - CFO

Thanks, David. Good morning, everyone. In my remarks today I will review Cigna’s third-quarter 2014 results and discuss our outlook for the full year. This quarter’s results are strong, driven by continued effective execution of our strategy.
Key highlights in the quarter include consolidated revenues of $8.8 billion, which grew 9% by continued growth in our targeted markets. Consolidated earnings of $519 million, quarterly earnings per share of $1.95 and continued strong free cash flow with $1.4 billion of share repurchase on a year-to-date basis. The strength of these results provides us with good momentum and confidence to increase our full-year financial outlook for 2014.

Regarding the segments, I will first comment on our global health care segment. Global health care delivered another good quarter, with continued strong results in our employer group business, improving results in our individual business, and solid results from our seniors business.

Third-quarter premiums and fees for global health care grew 7% to $6.1 billion. This reflects continued good growth in our self-funded programs as demand for these products remains strong.

We ended third-quarter 2014 with 14.3 million global medical customers, growing by approximately 270,000 customers on year-to-date basis. Third-quarter earnings were $434 million and reflect business growth, operating expense efficiency, favorable medical costs and specialty contributions.

Turning now to medical costs, our commercial medical trend continues to be among the lowest in the industry. Given that over 85% of our US commercial customers are in transparent ASO funding arrangements, our clients directly benefit from these favorable medical costs.

We continue to deliver medical costs that reflect better health outcomes and strong clinical excellence for our customers and clients as a result of our deep collaborative relationships with physicians and our focus on personalization of care. Medical costs also reflect a continued low utilization trend.

Regarding medical care ratios, our employer risk businesses continued to deliver strong results, reflecting strong pricing, disciplined underwriting and continued, effective, medical management and physician engagement. In our US commercial guaranteed cost business our third-quarter 2014 medical care ratio, or MCR, was 80.8% on a reported basis, or 81.1% excluding prior-year reserve development. This MCR reflects continued strong results in our employer group business as well as improving results in our individual business.

In our government business, our third-quarter MCR for Medicare Advantage was 84.3% on a reported basis, or 84.6% excluding prior-year reserve development. Medicare Advantage results continued to reflect progress on the network and medical management actions we discussed in previous quarters along with continued revenue pressure from the low reimbursement rate environment.

Moving to operating expenses, for third-quarter 2014, the total global health care operating expense ratio was 21.9%. This includes the impact of all health reform related taxes, which added 110 basis points to the expense ratio in the quarter. To recap we had another strong quarter in our global health care business.

Now I will discuss the results of our global supplemental benefits business. This business continues to deliver very attractive growth and profitability. Premiums and fees grew 17% quarter over quarter for global supplemental.

Third-quarter earnings grew to $83 million reflecting business growth and effective operating expense management. These results also reflect nonrecurring favorable tax items totaling $21 million after tax.

For our group disability and life, third-quarter results reflect premium and fee increases of 7% over third-quarter 2013. Third-quarter earnings in our group business were $55 million reflecting unfavorable claims experience in the disability business.

For our corporate and other operations, results totaled to an after-tax loss of $53 million for the third quarter of 2014. This result includes an unfavorable tax item of $12 million reported in the corporate segment.

I would note that third-quarter earnings, in aggregate, benefited from one-time tax items netting to $9 million after tax, with the previously mentioned favorability in our global supplemental benefits business partially offset by an unfavorable impact in corporate and other operations.
Overall, as a result of the continued effective execution of our strategy, our third-quarter results reflect strong revenue and earnings contributions from each of our business segments as well as significant free cash flow.

Turning to our investment portfolio, in the third quarter we recognized net realized investment gains of $15 million after tax, coupled with a strong net investment income result. The high quality and diversification of our investment portfolio continues to drive our overall investment results.

Now I will discuss our outlook for 2014. We expect to continue to deliver differentiated value for our customers and clients and strong financial performance for our shareholders in 2014. We now expect consolidated revenues to grow at the high end of our range of 5% to 8% over 2013.

Based on the strength of our third-quarter results, our outlook for full-year 2014 consolidated adjusted income from operations is now in the range of approximately $1.95 billion to $2 billion, or $7.25 to $7.45 per share. This represents EPS growth of 7% to 10% over 2013, a strong result in a challenging year. Consistent with past practice, our outlook excludes any contributions from additional capital deployment and any prior-year reserve development.

As I noted in our second-quarter earnings call, full-year 2014 adjusted income from operations includes approximately $110 million after tax, or $0.40 per share, of acquisition related amortization expense. We are highlighting this information as it is our intent to exclude acquisition related amortization expense from earnings and EPS estimates when we provide more specific 2015 guidance on our fourth-quarter earnings call.

I will now discuss the components of our 2014 outlook, starting with global health care. We expect full-year global health care earnings to be in the range of approximately $1.61 billion to $1.64 billion. Regarding global medical customers, we now expect 2014 customer growth to be at the high end of our outlook range of 1% to 2%.

Turning to medical costs, we expect full-year 2014 medical cost trend for our total US commercial book of business to be at the lower end of our 4.5% to 5.5% range, a range that we lowered in the second quarter. This improvement reflects continued individual engagement, effective medical cost management, physician engagement and low utilization trend.

Regarding medical care ratios, for our US commercial guaranteed cost book of business, we now expect the 2014 MCR to be toward the middle of our current range of 81% to 82.5%, a modest improvement over our previous expectations. This reflects continued strong results in our employer group business and improved individual results. This outlook also anticipates a higher fourth-quarter MCR due to an increased seasonality impact from the growing share of high-deductible plans in our employer group and individual businesses.

For our seniors business, the outlook for our Medicare Advantage MCR for 2014 is unchanged and continues to be in the range of 84% to 85%.

Regarding operating expenses for 2014, we now expect our total global healthcare operating expense ratio to be at the low end of our current range of 22.5% to 23.5%. This outlook reflects increased spending for open enrollment costs and strategic initiatives in the fourth quarter, which will impact both the global health care operating expense ratio as well as adjusted income from operations.

Now moving to the other components of our outlook, for our global supplemental benefits business, we continue to expect strong top-line growth and earnings now in the range of $230 million to $240 million, an increase over our previous outlook. Regarding group disability and life, we now expect full-year 2014 earnings in the range of $310 million to $320 million, slightly below our previous outlook.

Regarding our remaining operations, that is corporate and other operations, we now expect a loss of $195 million for 2014. All in, for full-year 2014, our outlook for consolidated adjusted income from operations is in the range of approximately $1.95 billion to $2 billion, or $7.25 to $7.45 per share.

Now moving to our 2014 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 have not changed. These priorities are: providing the capital to support the growth of our ongoing operations and pursuing M&A activity with a focus on acquiring capabilities and scale to further grow in our targeted areas of focus. After considering these first two items, we would return capital to shareholders, primarily through share repurchase.

Regarding free cash flow, we ended the quarter with parent company cash of approximately $425 million. During the period July 31 through October 29, we repurchased 2.8 million shares of Cigna’s common stock for $250 million, bringing our total year-to-date share repurchase to 16.3 million shares for $1.4 billion. After considering all sources and uses of parent company cash, we now expect to have $500 million available for capital deployment during the balance of the year.

Overall, our financial position and capital outlook remains strong. The high returns on capital from our businesses coupled with our strong balance sheet means we will continue to generate significant free cash flow to deploy for the benefit of shareholders.

Now to recap. Our third-quarter 2014 results reflect the strength of our diversified portfolio of global businesses and a continued track record of effective execution of our focus strategy. The fundamentals in our businesses remain strong as evidenced by strong growth in revenue and earnings, industry-leading medical cost and quality outcomes and continued strong free cash flow. Based on the strength of these results, we are confident in our ability to achieve our increased full-year 2014 earnings 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)

Ralph Giacobbe, Credit Suisse.

Ralph Giacobbe - Credit Suisse - Analyst

First, on the exchange business, you talked about the improvement there. Can you just give us a sense of how you saw that sequential improvement, and maybe where you stand on the three Rs and whether that helped cushion the third quarter relative to the second? And then maybe where margins are running on the exchange at this point?

David Cordani - Cigna Corporation - President and CEO

Ralph, it is David. There’s about seven questions in there. I will try to take a few of those and ask Tom to give you a little bit of color. First, back to the public exchange business for context, as you recall about 3% of our total enterprise revenue is in the individual portfolio business. Secondly, as we indicated entering the year, we didn’t expect that this portfolio would make money. That’s transpired, and we began to see additional pressure relative to that portfolio of business, but we committed to manage that within the overall portfolio of Cigna.

In the third quarter we saw some improvement to the performance relative to the first two quarters, driven by fundamental improvement in results in the third quarter as well as some favorable evolution in terms of what the first and second quarter results were. Lastly, before I turn it over to Tom, you recall from the prior quarter’s call, we indicated relative to the three Rs that the majority of the position we had taken to date on the three Rs were reinsurance related, but as we got further into the year we give additional marketplace insights in terms of the other two Rs. We have a little bit more of those insights for the third quarter. Tom, could you give a little more color on the three Rs?
Tom McCarthy - Cigna Corporation - CFO

Sure, just a little more on the results in the quarter, also. We did see some pretty strong improvement in results on the claims from the first two quarters, so they developed favorably from our initial estimate. Second, as David said, that dynamic carried over into the third quarter. Finally, we did get some more insight into some of the factors for estimating coverage under the three Rs.

As you recall from our previous comments, our visibility in some elements of the risk protections programs was limited before. During the third quarter we received some additional insight into relative performance that did allow us to update our accruals. So through the third quarter, our accruals for the three Rs are now totaled to about $130 million after tax. The majority of that accrual continues to be related to the reinsurance element of the three Rs program. There is some for risk adjusters and a smaller amount for risk corridor recoveries.

Ralph Giacobbe - Credit Suisse - Analyst

Okay, that’s helpful. One follow up, there’s been a lot in the market around shift to private exchanges and potential for dumping onto the exchange, particularly among small employers. David, it sounds like you’re suggesting pretty healthy growth in your Select segment, which would somewhat go opposite that unless you’re thinking you’re going to be a bigger player around some of those new marketplaces? Could you just reconcile your statements relative to maybe what the thought process is in the market now about greater shift away from ASO into risk?

David Cordani - Cigna Corporation - President and CEO

Two different dimensions, I will call it the Select segment and then a little bit of more color on how we see the exchange marketplace more broadly. First, relative to the Select segment, I think it is a great example and an important example of stepping back, but not trying to lump all employers into any one bucket. Even within the Select segment, which we define as 51 to 250 employees, so obviously excluding under 50, there are multiple micro segments within there. We tend to target those employers who, as we say, value incentive and engagement based programs, who want to more actively work with their employee base to lower health risks, to improve health outcomes, to drive increase in productivity, and see that as a fundamental part of running their business.

That’s not every employer of the 25 million lives that exist here, but it is a large cadre. We’ve had great success, as I noted in my prepared remarks, growing that on an average compounded basis of mid teens in terms of covered lives. We will continue to do so by leveraging our broad portfolio of businesses.

As it relates to the private exchanges, more broadly, as we’ve discussed, we see that as an early innovation marketplace, so early stages of development. We have capabilities and we are participating in the vast majority of those markets, including our own proprietary exchange, which interestingly targets the Select segment employer marketplace as well as the regional segment marketplace. Over the long term, we see some good opportunities for growth here, for both medical business, supplemental business, be it for active or retiree lives, as well as specialty business.

Core growth in the Select segment employer base, based on those focused on health risk reduction, health improvement productivity and leveraging our capabilities. Well positioned in the emerging, but just that, emerging private exchange marketplace for both medical, supplemental and specialty business. And we see growth opportunities in both areas as we look to the future.

Operator

Justin Lake, JPMorgan.
Justin Lake - JPMorgan - Analyst

David, a number of your peers have taken the time on the third-quarter call to comment on their comfort level with 2015 consensus EPS, which for Cigna implies about 10% growth year over year. I was hoping you might be able to give us some color here around how this view looks versus your internal expectations, excluding your move to cash EPS?

David Cordani - Cigna Corporation - President and CEO

Justin, good morning. We’re not providing 2015 guidance at this point. I’ll try to give you a little bit more color of how we look at the marketplace. First, jumping out of 2014, as Tom updated our outlook for 2014, that range brackets a 7% to 10% EPS growth rate and it’s something we are quite pleased about being able to deliver in this competitive marketplace. As I noted in my prepared remarks, we are committed to growing revenue, earnings and EPS in 2015.

There are multiple drivers of growth for us in terms of customer growth in both commercial and Medicare Advantage, continuation of our positive momentum in our broad specialty portfolio of businesses, continuation of momentum in our global business and continuation of operating efficiencies. In the face of that, there are some headwinds, which we discussed, industry tax, specialty pharma. As you know, we don’t talk about or don’t plan for reserve development. All in, we’re excited about being able to once again grow the Corporation’s top line and bottom line while continuing to invest. We’ll look forward to providing you detailed guidance next quarter.

Justin Lake - JPMorgan - Analyst

Okay, great. Just on the exchanges, to get to the second quarter, we estimated, and I mean myself, estimated about $100 million of after-tax losses for exchanges were implied in the second-quarter guidance. Can you give us an update here on how exchanges are going? Is that $100 million still ballpark in terms of losses this year? Where you might expect this to go in 2015 in terms of getting better?

David Cordani - Cigna Corporation - President and CEO

It’s David again. To give you a little color around that, and I appreciate the way you described it, your estimate. If we step back last quarter, I would say in the ballpark, your estimate is probably a little bit bearish. Per Tom’s comments, you should expect that, that estimate is improved, so the loss is smaller this year. If you think about Tom’s comments relative to the medical care ratio, our range remains for the medical care ratio outlook for the full year. But instead of being at the high end of the range, we’re more the middle part of the range. Throughout the course of the year, the employer book of business has been consistent, strong performing, so the delta there, Justin, is really the individual block of business. We see some improvement relative to that. By the way, we still see the ability to improve the financial performance as we step into 2015 and beyond that.

Operator

Josh Raskin, Barclays.

Josh Raskin - Barclays Capital - Analyst

First question, just a clarification on 2014. Within, there’s always a lot of moving parts, and I think, Tom, you broke out some more one-timers this quarter. What’s the cumulative impact of one-timers both positive and negative in 2014 as like a starting point that we should think about?
Josh, I'm not sure I could actually give you an orientation on that. Our results include some favorable and unfavorable one-time events as a normal course of business. We really just call them out to make sure you are better informed about what is going on in the results as opposed to trying to set a level for expectation going forward.

Josh Raskin - Barclays Capital - Analyst

Okay, maybe we can talk to that separately. Next question, just on stop loss and your offerings there, I'm just curious how those have continued to evolve in the marketplace? I'm curious if you're seeing or offering lower attachment points or aggregate or individual points and sales in stop loss? Then, any specific commentary on the impact from specialty pharmacy and if that's having an impact on rates that you guys are going to have to charge for 2015?

Tom McCarthy - Cigna Corporation - CFO

Josh, good morning. It's David. Relative to stop loss, as you know relative to us, we have a long history of a broad portfolio of stop-loss programs and those programs are pretty mature in what we call the regional segment. As you think about employer’s needs, employers have fundamental needs for affordability. They have fundamental needs for predictability, and they have fundamental needs for positive health and productivity outcomes for their employee base. Stop loss really fits into a predictability opportunity for the benefit of our employer clients.

We've continued to expand those programs as part of our portfolio of services and been able to grow that portfolio of services every year with a variety of offerings, to your terminology, both aggregate and individual and continue to innovate those programs for the benefit of our employer clients. Continued growth, continued good market need and acceptance, really around the piece of mind for our client to have predictability, and I will call it, risk mitigation in any given year.

Specific to specialty pharma, specialty pharma as we have discussed in the past, continues to be probably the single highest trend category driver once you fragment all the medical cost categories. We see that in 2014 within our underlying pharmacy trend across our portfolio businesses. By the way, our aggregate medical cost trend is a very attractive competitive result in the 4.5% to 5% range. Secondly, as a flag for 2015 for the overall portfolio, we expect that specialty pharma will continue to provide a headwind trend that we will offset with our broad portfolio of other capabilities looking forward.

Josh Raskin - Barclays Capital - Analyst

So it doesn't sound like specialty pharmacy is creating any specific dislocation in the market. I'm just thinking about attachment points of say $50,000 being a big difference in Hep C, for example, today versus last year. But it doesn't sound like that's creating a big difference in the way you're approaching the market?

David Cordani - Cigna Corporation - President and CEO

Josh, I appreciate your follow up. If you break specialty pharma down, if you think about in the broad portfolio of comprehensive medical offerings, no, it is a driver, but as our results demonstrate, offset with all the other active management programs. Secondly, to your point on stop loss, not a triggering event. Broadly speaking, I wouldn't think about that as a triggering event. Thirdly, as you think about pharmacy specific offerings that only focus on pharmacy, then you're going to have more of a leverage effect. If you think about the pharmacy offering, more primarily of the leveraged affect there, but broadly in our commercial book of business, that's integrated with our medical offering.
First of all just wanted to extend my best wishes to Ted, as well, on his retirement. First question, just interested on Medicare Advantage and if you can give us some early observations on how the annual enrollment period is going for HealthSpring? David, I know you mentioned that you do expect growth in MA enrollment for next year, so just interested if you think that the business could return to more of a market type growth rate for MA for 2015?

Morning, Scott. Relative to MA, again, we’re not providing detailed guidance, but as I noted in prepared comments, we expect to grow our covered lives from an MA standpoint. To remind you, we always focus on the individual MA market. We’re not really focused on the employer MA marketplace. Based on our look at the competitive environment and especially our critical go-deep markets, we’re pleased with our net positioning of our overall benefit offerings, our price point, the ability to continue to leverage our collaborative physician relationships. We’re looking forward to having a good growth year as we step into 2015 for the MA marketplace in terms of covered lives for the vast majority of our go-deep markets. As you know, there were some markets where we were repositioning. There are some markets that we’re investing in and entering, so I think about it in terms of the mature markets. We’ll have very good results there, based on what we’re seeing right now, finalizing some repositioning markets. Then, our indicators of relative to the markets we’re investing in to grow, the new markets we’ve opened up, early indicators there are positive as well.

I had a follow-up question around Select. Just interested if in the terms on the cost side whether you saw any type of cost issues emerge there? Obviously, one of the competitors did cite seeing some pressure there. Not sure if it sounds like the employer business, it sounds like cost trends overall have remained very favorable. Just interested if you could spike out Select segment there?

Your headline conclusion is correct. We’ve seen no spikes. Scott, I think it’s important to step back and understand how we attempt to go to market there and how we focus the program. They’re beyond the traditional insurance offerings, as noted in my prepared remarks, the health engagement, the diagnostic programs, the ability to do on-site biometrics illustratively for a 100-life or 125-life employer, on-site health coaching, etc. All of that is paying dividends. First, for the employer and the employees, and as such for us as we go forward. Overall, we’re really pleased with the medical cost trend that we were able to deliver and adjacent to that, therefore, the medical cost quality we’re also delivering for those clients in the Select segment.

I’m just trying to understand the guidance for the last bit of the year here in the context that I think last quarter or after last quarter you guys have talked about overall in healthcare earnings being relatively level between 3Q and 4Q? It looks like you did quite a bit better in 3Q than that implied and a number of things moving favorably for you. Why not raise the overall healthcare guidance? Why, now, have this lower view of 4Q? If it’s seasonality, is there something that makes you think that, that seasonality stronger than your view may be three months ago?
Good morning, Matthew, David. Just a couple comments and I'll ask Tom to tease out a couple specifics. Most importantly, overall, we're very pleased with our 2014 results to date and our 2014 outlook. As the range for 2014 indicates, the 7% to 10% EPS growth rate in this marketplace is a very positive outcome.

Secondly, you hit upon an important point, there is seasonality in the fourth quarter. There's seasonality in the makeup of the medical benefits. I will ask Tom to reiterate and give you more color on. As well as our spending pattern, both the fundamental spending pattern of running the business as well as our discretionary spending pattern of our ongoing investments. Those are the two categories I would highlight. Off the strength of our portfolio, we will continue to make sure we're investing for the long haul as well.

Tom, could you give a little more insights on the fourth-quarter seasonality as it relates to MCR? Then maybe a little color on where the spending upticks in the fourth quarter?

Sure. Again, as I mentioned in my remarks, we are expecting enhanced seasonality in the fourth-quarter MCR and that's largely due to the growing share of the high-deductible plans in both our employer group and individual businesses. As individual has grown, they tend to be leaning towards more higher-deductible plans. Even in our employer group plans, we tend to have more higher-deductible plans this year than prior years.

Combined with the normal seasonality for underlying medical costs in the fourth quarter, which typically we do have more medical expenses during the fourth quarter, we do expect our MCR to increase both sequentially and quarter over quarter in the fourth quarter of 2014. Just to reiterate, the fundamentals of the business remain strong and this impact that we're anticipating simply reflects seasonality in the mix shift dynamics and is fully contemplated in the guidance that you referenced.

On expenses, again, we have the normal seasonality drivers of 1/1 readiness, probably more invested in open enrollment. Clearly, we have some options on strategic initiative investments that probably weigh more heavily on the quarter. I'd also point out, Matt, in the quarter-over-quarter dynamic, we had anticipated a tax benefit in the fourth quarter that actually got accelerated in the third quarter, so that also changes the dynamic a little bit from our earlier expectation.

Alright, that's fine. Just lastly as a follow up, on the disability claims pressure, is that something that you expect will abate in the next quarter going into next year?

Just to give some high-level comments on group first and then get to that specific point. Our group business unit is a very attractive part of our portfolio. We have got a differentiated model with a focus on health and productivity that delivers great value for clients, customers and shareholders and have a track record of solid revenue growth and strong return on capital in this business in what has been a very challenging economic climate. As I mentioned in my remarks, there's some higher disability benefit ratio this quarter, mainly related to higher average claim size. While we do expect some variability, quarter to quarter in this business, we do expect group results to improve in the fourth quarter. I'm confident that our differentiated capabilities that I referenced earlier will allow us to continue to drive value for both customers and shareholders in this business.
Christine Arnold - Cowen and Company - Analyst

National selling season, also, anything that's renewed, how are you feeling about the national selling season? Also there was some this and that in second quarter that elevated some of the other MLRs. I'm sensing something may have happened there third quarter. Is anything one time to call out in the other businesses experience rated stop loss? Thanks.

David Cordani - Cigna Corporation - President and CEO

This is David. Let me give you a little color on the national account segment and ask Tom to comment on the MLRs.

The headline relative to national accounts is no new news from what we discussed on this quarter's call. To remind you, very importantly, we define this segment more tightly than the marketplace norms. Commercial employers with 5,000 or more employees that are multi state, as we define it, that is a shrinking marketplace due to the U.S. employment patterns in the current environment. Our goal has been, and continues to be, to hold share overall, but to continue to evolve our share as it relates to geographic depth of where those covered lives are as well as the percent that are engagement and incentive based.

For 2015, the new business opportunities that we had the opportunity to bid on were about the same percentage over the prior year. Our look at our close ratio and our ability to win is about the same year over year. The percent of our business that was out to bid for 2015 versus 2014 was up a bit, and that was relative to procurement cycles of the nature of the business for 2015. Our retention rates, over the average of it, will continue to be strong. Because there's a little higher percentage out to bid, there will be a little bit higher percentage of loss. Net/net no massive change in terms of the patterns, and with the ongoing strength of our Select and regional portfolio business, as I noted in our prepared remarks, we expect to again grow our customer base in 2015.

Tom, could you give a little color on the loss ratios?

Tom McCarthy - Cigna Corporation - CFO

Sure. Christine, again, with respect to the group of businesses that are outside of our guaranteed cost MCR, so they would be the variety of lines, the shared return stop loss, dental, et cetera that are outside our guaranteed cost MCR. As I talked about before, those lines all behave a little differently, so you need to be careful in looking at that very narrow MCR results. Business wise, there's no news to report, there. Things are performing as we'd expect, and as it happens this quarter, if you do the math at least as we have done the math, on the risk ratio result for that segment of the business, it's about 77.1%. That is pretty much consistent with the sequential result in the second quarter of 77%. Not really seeing anything, even in the overall metric, and certainly as we look at the business fundamentals, there's nothing to call out as unusual.

Operator

Kevin Fischbeck, Bank of America.

Kevin Fischbeck - BofA Merrill Lynch - Analyst

Just wanted to go back to your long-term guidance, which was helpful to think about. You focus on top line. Any thoughts on how margins develop over that time, whether it is just based upon the relative growth rates of the different products? Whether you see a little bit of margin compression? Just trying to think whether we should expect organic earnings growth to approximate the revenue number that you talked about, or really should we think about something a little bit less organically?
Kevin, good morning. It’s David. I appreciate the follow up. First and foremost, we’re quite pleased with the strategic positioning of the business as we talked about. The broader commercial employer business, the US and global, the ability to grow that high single digits, the individual business of double digits, the international business mid teens, seniors high single digits, group mid to high single digits. As it relates to your margin question, a little color on the way of thinking about it. Natural headwinds for a business over this time horizon like ours, there will be natural headwinds that will trigger margin compression just as a normal course of business.

The ability to offset that will be predicated on beyond growth and just basic fixed-cost leveraging. The ability to combat that will be continued innovation to be able to deliver value off of our diverse portfolio of businesses, operating efficiency gains beyond just traditional fixed cost leveraging. Over this horizon, all things remaining equal, when you look at the makeup of this business portfolio, it would suggest that run rate margins would be similar, natural headwinds would push a little bit in the face, maybe to decrease them somewhat. So long as we are committed to ongoing innovation, we should be able to mitigate most of that but not all of it. If I was to predict out eight years, all other things remaining equal, I would say probably a little margin headwind off of a scale of a business that doubles in size.

Kevin, that’s very helpful. The other follow-up question would be on the three Rs because I think you said $130 million of accruals. I think last quarter you had $65 million, and I thought that you are expecting to have only $65 million in the back half of the year, total. Am I right on that? It feels like the three R equivalent is little bit higher than what you thought last quarter? If it is, how do you reconcile that with the improved results there?

Kevin, it is Tom. I think we suggested the run rate would continue into the last half of the year. The accrual is maybe a little bit higher, but it’s really in the same general ballpark. One of the reasons that it is a little tricky to talk about the three Rs is they are so interrelated. The components are a little different but in the same general ballpark. I would expect, as we said last quarter, that the run rate is generally the same going into the fourth quarter, maybe a little more but nothing materially different in the overall scheme of things.

Just to be clear you’re now talking about a risk corridor and a risk adjuster, both of those would be receivables?

Yes.

I’m going to ask Josh’s question around the one-time benefits or benefits from favorable development. It looks like in healthcare you’ve called out magnitude $55 million after tax in favorable development this year. As we think about the outlook into 2015, would you take the, call it, the midpoint of the healthcare guidance $1.62 billion, back out the $55 million and use that as the base to grow into 2015? Anything you’d change in that assumption?
David Cordani - Cigna Corporation - President and CEO

Carl, good morning. It's David. As you know, we do not project reserve development. As reserve development unfolds, we, obviously, create clarity relative to that, so I'd invite you to draw your conclusions relative to that. I think the important headline here, when you think about reserve development, is you step back and say, what's driving that? What's driving that is fundamental execution and consistency in terms of delivery of positive medical cost outcomes. What we're pleased with is our sustained track record of setting a goal relative to medical cost outcomes, and you can look at the medical trend outlook for the Corporation, that we've achieved or improved year after year and delivered at a lower level. There's a lot that contributes to that, alignment of individual incentives, objectives and engagement, alignment of physician incentives, engagement, etc. As it relates to the math, I'd invite you to draw your conclusions. When we provide guidance for 2015, we will clearly articulate what the basis of that guidance is, but we continue not to take the posture of projecting any reserve development.

Carl McDonald - Citigroup - Analyst

Separately, as you think about the competitive environment for the non-risk select segment, any general commentary on how competitive that business is? Then, just maybe a thought on how easy is it for other companies to get into? My suspicion is that having a successful, large group ASO business does not necessarily prepare a company well to get into the select segment.

David Cordani - Cigna Corporation - President and CEO

Carl, a little bit more color relative to that. To your question, I think you underscore within your question, there's multiple buyers or buying types within the Select segment. As we noted, it's a group of about 25 million of lives. It is a large segment. Therefore, it's a diverse segment. Secondly as we've seen over the years, the percent of new business sales in that segment have continued to grow as it relates to transparent funding versus risk, but we continue to offer both of those funding alternatives. It's a competitive market, the market is a competitive marketplace, and the key to success is your ability to deliver results.

A couple points of differentiation, that we have and continue to invest in. One, the core capabilities around just transparency and aligning incentives and objectives. Two, a very diverse portfolio of specialty businesses that need to line up, including the clinical engagement capabilities of being able to do on-site biometrics, virtual health coaching, on-site health coaching, etc. Then finally, an important point, just to tease out a little bit, it's the client management and service staff that wraps around it that delivers, what we will call, employer reporting in actionable insights, to the employer and their broker intermediary or if they work with a broker, to illuminate where and how the drivers of cost, health risks, engaging opportunities exist.

That's very difficult to replicate over the scale of what we're talking about because it's easy to do that for a 100,000-life or a 10,000-life employer. It's difficult to do it in scale, monthly or quarterly, for the number of cases it would take at 100 lives or 125 lives. This is an area where innovation will continue, and we will continue to invest in innovating our capabilities, talent, insights on a go forward basis. Finally as I noted, it's an area where we see continued tremendous growth opportunity, because there's great value creation for these clients.

Operator

Chris Rigg, Susquehanna Financial Group.

Chris Rigg - Susquehanna Financial Group / SIG - Analyst

I know you're not giving guidance for 2015, but was hoping you could talk around two items. The losses in the ACA compliant book, obviously we all have our own estimates. How much -- what percentage do you think is the reasonable amount of losses you could claw back? Second, on the Catamaran partnership, is it still about $0.25 additive to next year's EPS?
Chris, it is David. On the ACA book, I will talk a little more broadly relative to our individual block of business. As indicated with a prior question, we entered the year with the expectation that we would lose money and we would manage that within our overall portfolio. By the way, we’re achieving that goal. Earlier this year we indicated that those losses grew. This quarter we’re indicating that the rate of growth is abated a little bit and results are improving but still at a loss pattern.

Secondly, we will improve that result in 2015. To be clear, by no means do we project in 2015 that, that will be at a runway level of targeted and sustainable margins of 3% or better. It will be less of a loss in 2015. We don’t view it as clawing back. We view this as 2014, 2015 and 2016 are really version 1.0 of this marketplace, and we’re being highly focused on where and how we’re playing in the market.

As it relates to our pharmacy business, more broadly, step back and put that in context first. We continue to be very excited about our PBM asset. We continue to own and operate a very well performing PBM asset that we further strengthened with bulk purchasing leverage, through mail order fulfillment leverage, through the ability to leverage an innovative technology platform. The headline here is good progress on all of the above, good progress on the organization’s ability to move forward relative to that.

As it relates to your specific question, let me give you a little bit more color. We look to 2014 as a transitional year and 2015 as our run rate year. The easiest way for that to be internalized as you referenced, we said the run rate year is $0.50 of EPS accretion. Therefore, the transitional year you can think about half of that. The good news is we are ahead of our trajectory for 2014, largely driven by our own rate and pace of internal investments that we had assumed to be able to drive various initiatives within our pharmacy business.

Headline one is, we are ahead of trajectory relative to 2014, largely driven by the rate and pace of our own internal activities. Secondly, line of sight to the run rate for 2015 remains intact. As a result, the delta between 2014 and 2015 will be less than the implied $0.25. Most importantly, the run rate is there, and maybe with a little upside as we continue to innovate within our overall PBM capabilities.
AJ Rice - UBS - Analyst

As the follow up, the comment was made about, David, international mid teens growth into the future. Can you just comment, any particular areas near term this quarter? Looking into the fourth quarter that are doing particularly well, any challenges? Then, does that long-term outlook incorporate a broadening footprint, or can you do that type of growth with the existing base of business you have now?

David Cordani - Cigna Corporation - President and CEO

AJ, as we’re talking about that mid teens, we’re talking about the international individual business, so strong performing asset, a variety of countries that we operate in today. I’d remind you of the core capabilities, our core capabilities there are really marketing and consumer insights that enable us to micro segment the current and emerging middle class in our target markets, match specific solutions to those micro segments, and importantly match what we will call preference-centric distribution campaigns around those micro segments. We continue to iteratively go at that in our target markets.

The drivers of growth here are really three things. First, in our existing markets that we're focused on, continued evolution of economic growth is growing in the ever present middle class and the needs statements are matching up nicely relative to our capabilities. Second, our ability to innovate in those markets further to expand our portfolio of solutions for our existing customers, because we want to be a solution provider of choice for those customers off of my first point. Third, is to expand geographies.

Currently, as you know, we took the step to expand into Turkey. That is performing very well for us. We're making the strategic investments to expand in India. We started selling business earlier this year. The rate and pace of continuing to expand in those countries, as well as additional countries, will continue on a go-forward basis.

Taking it all together, this is an exciting growth segment for us that we will continue to invest in, both the capabilities from a technological standpoint and geography, and then talent necessary to continue that growth rate.

Operator

Ana Gupte, Leerink Partners.

Ana Gupte - Leerink Partners - Analyst

Following up on the margin profile for a couple of businesses from a normalized basis. I think you’ve seen about a couple of years of margin compression on Medicare, at least on the MLR. As you're looking forward into 2015 and beyond, do you think your MLR will settle out at the 84% to 85%? Or is there any potential to bring it back closer to what you had with HealthSpring, either through pricing or STARS or network strategies and whatever?

David Cordani - Cigna Corporation - President and CEO

Ana, good morning. It’s David. As it relates to margins and Medicare more specifically, per our prior discussions, we today are not at our margin objective. So to be clear, we see upside opportunity here. Secondly, as it relates to the drivers of it, number one, our benefit positioning in our chosen go-deep markets continues to be strong.

Two, we'll step out of this year with a very good STARS position, an improving STARS position further going into 2016 and further improvements that we see beyond that. Third, the go-deep markets benefit by proven physician partnerships and physician relationships. To your point, as you framed it, as we look to 2015, 2016, 2017, we see the ability to move the margin forward, but we’re going to be smart relative to that and balance it versus our growth objectives as we continue to drive forward. We’re not at our objective today, upside opportunity going forward, and we’ll be disciplined in terms of balancing that with our growth objectives.
Sarah James - Wedbush Securities - Analyst

Your peers have been talking about pricing to a 50 to 150 basis point cost trend uptick in 2015, so the largest increase we have seen in recent years. Can you touch on the cost trend that you have been baking into your 2015 renewal so far?

David Cordani - Cigna Corporation - President and CEO

Sarah, good morning. It’s David. Again, we’re not providing 2015 guidance. Way to think about it is, if you step back and look at our prior years, we’ve tended to build a bit of an uptick in trend relative to what we had in any given year under the notion that we may see some additional utilization trend and/or as I flagged earlier, especially pharma trends. We’re pleased with the 2014 trend outlook of 4.5% to 5.5%, and, as Tom noted, trending toward the lower end of the range. You should assume that we build that trend up based on our known contracting and then utilization assumptions, and most probably it will be upticked little bit relative to next year.

Final point I would make here, and very importantly, when you think about our portfolio of business, I would ask you to remember that about 80% plus of it is transparent funding mechanisms. Another portion of it is shared returns. Then, when you get into the guaranteed cost portfolio, because we don’t play in the under-50 life book of business, in most cases, we’re pricing those accounts based upon the experience within those accounts with a lot of back and forth in dialogue with clients.

Aggregate trend assumptions are interesting, but client specific experiences are what is important. That’s part of how we work, whether it’s in the ASO space, the shared returns space or even by the inherent makeup of our guaranteed cost book of business, because were not in the pooled products of under 50. Just a little color I think is important and differentiated for us.

Andrew Schenker - Morgan Stanley - Analyst

I appreciate your comments earlier on your expectations or priorities around capital deployment. Could you maybe just provide a little more color around this, with particular emphasis on maybe your appetite for M&A? Is there any capabilities within maybe Medicare or even Medicaid that you feel like you need to acquire to help gain sufficient scale? Thanks.

David Cordani - Cigna Corporation - President and CEO

Relative to capital deployment, Andy, and acquisitions specifically. First, when you think about capital deployment you need capital with which to deploy. We continue to be very pleased with the positioning of our businesses and the ability to produce the sustained free cash flow that we are able to produce off of a base, that as Tom noted in his prepared remarks, we have well-capitalized operating subsidiaries to start with.

As it relates to our capital priorities, they remain unchanged. Our second priority is to pursue strategically attractive and financially attractive M&A. Our priorities there remain consistent, so to further expand our seniors capabilities, including the capabilities to serve the dual-eligible population. Second, is to further expand our global footprint. Third, expand our retail capabilities further. Fourth, what we will call local density plays, which typically fall more in the tuck-in category framework.
We have the capital positioning to do so. As we have proven in the past when we have taken action, we have a proven track record of being on strategy in converting those acquisitions to positive shareholder outcomes as we execute those acquisitions.

Operator
Brian Wright, Sterne Agee.

Brian Wright - Sterne, Agee & Leach - Analyst
Just wanted a little clarification on the three Rs, because I thought last quarter you said the $60 million to $65 million after tax included was mostly re-insurance. I thought that would imply some risk, the risk corridor and maybe some risk adjustment. I just want to understand, the going up to $130 million this quarter, how that is just, within the range after all the three Rs? Because that could be like that 550 basis points on the guaranteed cost MLR.

Tom McCarthy - Cigna Corporation - CFO
Brian, you've got the dynamics right. The reinsurance is still the larger share of the estimate. Last quarter, I think we commented, we did not make any -- or maybe we didn't comment, but we didn't include any estimate for risk adjusters. We just didn't have any information. As information has become available, we've been able to make a risk-adjuster estimate but it basically has moved around some of the estimates in the other Rs over time. We're really, generally, on the same trend as we thought we'd be, maybe a little more accrual on the three Rs, but in the same ballpark.

Operator
Dave Windley, Jefferies.

Dave Windley - Jefferies & Company - Analyst
Maybe a little granular, but on the Medicare Advantage book, in 2014, I guess my understanding is the repositioning that Herb and the team have done, is largely focused in Pennsylvania and the membership declines there are what is holding back membership growth for MA this year. I guess I'm wondering if the same dynamics play out into 2015? Coming back to an earlier question, how we should really think about member growth for MA relative to market growth in light of that dynamic? Thanks.

David Cordani - Cigna Corporation - President and CEO
Good morning, Dave. It's David. You have pretty good recall. Let me add a couple more pieces and then talk about the prospective piece. We had a couple items going on in 2014. One, when we provided guidance for 2014, I would ask you to recall that we indicated that there were certain markets that we would fundamentally exit, and we categorize that has 2 to 3 points. Additionally, beyond that there was some repositioning and retrenchment and that's the part you recall, but there were two items that were in play.

Largely in 2015, you don't need to think about large scale market exits, number one. Two, there is finalization of some repositioning. Three, offsetting that, there is further traction relative to the new market entree investments from 2014 and county expansion into 2015. Taking it as a whole, our covered life performance, or our customer growth performance, for MA will be positive and attractive in 2015 versus the repositioning in 2014.

Operator
I will now turn the call over to David Cordani, for closing remarks.
Thanks. Just to conclude our call this morning, I want to emphasize a few key points. Our strong third-quarter results reflect solid revenue and earnings contributions from each of our business segments. This performance was driven by the many contributions of our more than 35,000 dedicated colleagues across the world who bring our strategy and mission to life every day. We continue to build and strengthen our global capabilities and consultative expertise to fulfill our mission of improving the health, well being and sense of security of the individuals we serve.

Based in part on our performance over the past three quarters, we remain confident in our ability to achieve our elevated 2014 outlook, and we expect meaningful revenue growth over the next seven to eight years with the goal of doubling our revenues, leveraging our businesses in established growth markets and potential emerging marketplaces. As a result, we remain committed to achieving our average annual EPS growth target of 10% to 13% over the long term.

Thanks for joining our call, and we look forward to continuing our discussion in the future.