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CI.N - Q3 2020 Cigna Corp Earnings Call

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OVERVIEW:

CI reported 3Q20 adjusted revenues of $40.8b, adjusted after-tax earnings of $1.6b and adjusted EPS of $4.41. Co. expects 2020 consolidated adjusted revenues to be approx. $158b and consolidated adjusted EPS to be $18.30-18.60.

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PRESENTATION

Operator

Good morning. Ladies and gentlemen, thank you for standing by for Cigna's Third Quarter 2020 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 Ms. Alexis Jones. Please go ahead, Ms. Jones.

Alexis Jones

Good morning, everyone, and thank you for joining today's call. I'm Alexis Jones, Lead Principal for Investor Relations. With me on the line 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 third quarter 2020 financial results as well as an update on our financial outlook for 2020. As noted in our earnings release, when describing our financial results, Cigna uses certain financial measures, adjusted income from operations and adjusted revenues, which are not determined in accordance with accounting principles generally accepted in the United States, otherwise known as GAAP.

A reconciliation of these measures to the most directly comparable GAAP measures, shareholders net income and total revenues, respectively, is contained in today's earnings release, which is posted in the Investor Relations section of cigna.com. We use the term labeled adjusted income from operations and adjusted 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 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, with our reporting for third quarter 2020, we have updated our segment names to align with our launch of Evernorth and to better reflect the suite of services offered across our portfolio. The segment previously reported as Health Services is now reported as Evernorth, and the segment previously reported as Integrated Medical, is now reported as U.S. Medical. There are no changes to the underlying businesses reported in either segment. Regarding our results. In the third quarter, we recorded an after-tax special item charge of $83 million or $0.23 per share for integration and transaction-related costs.

We also recorded a special item benefit of $89 million after-tax or $0.24 per share for a contractual adjustment for a former client.

Finally, we recorded a special item benefit of $76 million after-tax or $0.21 per share for the receipt of payments related to our risk corridor claim. As described in today's earnings release, special items are excluded from adjusted income from operations and adjusted revenues in our discussion of financial results.

Additionally, please note that 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.

Finally, 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 in the fourth quarter of 2020. With that, I will turn the call over to David.

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

Thanks, Alexis. Good morning, everyone, and thank you for joining our call today. I'll begin by providing a few brief comments on Tuesday's election results, which are certainly top of mind for all of us. Then I'll speak to how Cigna's strategy, accelerated by our recent launch of Evernorth, positions us to continue building on our history of delivering strong performance in dynamic and rapidly evolving environments. I'll also provide comments on our strong third quarter results, and I'll conclude with a few brief overview comments relative to 2021 before turning the call over to Eric.

First, relative to the election. Certainly, we along with everybody else, await to see a clear and orderly conclusion. Regardless of the final outcome, our mission to improve the health, well-being and peace of mind of those we serve around the world has not changed and is more critical than ever. We are ready to continue engaging in critical discussions on healthcare with members of both sides of the aisle, at federal, state and local levels, and we look forward to working constructively with the current administration or new administration as we have been privileged to do so in the past.

Looking forward, the long-term health needs of individuals and society at large transcends the results of any particular election or political climate. There is no question that simply continuing with the status quo for healthcare is not sufficient under any circumstances. Take, for example, that today's children are likely to be the first generation in American history to live shorter lives than their parents.

Clearly, this is unacceptable. And the COVID-19 crisis has only reinforced our unsustainable healthcare challenges, including eroding individual health status, increased mental health impacts from heightened stress, anxiety and loneliness, health disparities from social determinants of health, and gaps in our healthcare delivery infrastructure.

Many U.S. states are seeing their healthcare systems overwhelmed and only exacerbated by the underlying chronic conditions such as diabetes that increase the risk of severe complications from COVID-19. The bottom line is that there is no one healthcare system that is perfectly positioned. In our view, the conversations regarding healthcare must focus less on who pays the cost of an unsustainable system. In fact, systems around the world continue to struggle with unsustainability and rising costs, including nationalized systems.

What is important is that we work together to find solutions to meet the diverse underlying needs that are unique to a population in the most effective way possible. Regardless of the political climate, more than ever, people, governments and employers as well as health plans are looking for healthcare systems that focus on keeping people healthy and not just treating them when they're sick. Caring for the whole person, both mind and body and ensuring the most affordable, high-value delivery of healthcare services.

At Cigna, we are delivering on this promise, and our strategy is designed to answer the call for a healthcare system that is more affordable, predictable and simple. Our strategy guides us to customize our solutions to meet the diverse needs of our clients, our customers and our patients and look at every decision and action we take to ensure it is addressing the demands for more value. We've amassed a targeted portfolio of capabilities to accelerate this direction. And when combined with our partnership orientation, our focus on data-driven innovation, and our capital flexibility, we are positioned to deliver differentiated value for those we serve and sustainable, attractive growth.

As you know, we recently introduced Evernorth, an evolution of our high-performing health service portfolio and another important milestone in delivering on our strategy. With Evernorth, we have a distinct and dedicated platform of services and innovative healthcare solutions for health plans, employers, government organizations and healthcare providers.

The launch of this new brand in September was met with overwhelming support and excitement from these buyer groups. Through this dedicated platform, we are demonstrating our commitment to meet their unique needs and invest in their success.

Additionally, the platform further reinforces our position as the partner of choice to create more shared value for our clients and, ultimately, our customers. A recent example of this is our growing partnership with Prime Therapeutics. Through our Prime relationship, we expand our retail pharmacy network and rebate administration services to more Americans through their 23 Blue Cross Blue Shield plans. We achieved this by enhancing the retail pharmacy network and increasing affordability from pharmaceutical manufacturers.

With Evernorth, our relationship with Prime will be further expanded. This includes the option for Prime's plans to access the Accredo specialty pharmacy and Express Scripts home delivery in-network pharmacies beginning on January 1, 2021. Evernorth reinforces our deep commitment to leverage our broad capabilities to serve health plans, employers, government entities and healthcare professionals and pursue mutually beneficial partnerships.

At the same time, we are continuing to further invest in our Cigna brand, under which our U.S. Commercial, U.S. Government and International businesses go to market. We will continue to be known for a customer and client-focused approach and for delivering industry-leading trends and outstanding customer service. For example, I am pleased to announce that our Medicare Advantage business achieved an annual customer Net Promoter Score of plus 74. The fourth consecutive year we have shown an increase.

In addition, in 2021, 88% of our customers will be in 4 Star plus rated plans, and we're the only major plan to achieve an increase year-over-year. This is just one example, an important one, of how our Cigna branded companies will continue to deliver differentiated value in the marketplace. With Cigna and the recent addition of Evernorth platform, we now have 2 powerful brands from which to drive sustained growth today and well into the future.

Now turning to our third quarter performance. We delivered strong results that were in line with our expectations. As a result, and as expected, we experienced the return of elevated utilization to more typical levels and ongoing impact of COVID-19. We also continue to take actions to support our customers, our clients, our coworkers, our healthcare professionals and our communities in these exceptionally challenging times.

Additionally, we remain on track to complete the integration of Cigna and Express Scripts by the end of this year. Our consolidated revenue was $40.8 billion, with after-tax earnings of $1.6 billion. In our Evernorth segment, we continued to deliver strong performance demonstrating the value we bring to health plans, employers and governmental clients. Within our U.S. Medical segment, we saw an increase in cost as expected as utilization returned to more typical levels. And our international business continues to deliver revenue and earnings growth as we meet the needs of our global customers as they navigate the disruptive environment due to COVID-19. With our strong third quarter results, we are confident that we will achieve our updated 2020 revenue and EPS outlook.

Looking forward to 2021, we have a number of tailwinds, including continued growth momentum, favorable impacts from synergies from our Express Scripts combination and further administrative synergies. We expect year-over-year headwinds from increased medical costs, largely driven by the ongoing impact of COVID-19. Diving a bit more deeply into our growth momentum, we expect to drive continued organic growth across each of our well-positioned platforms. I'd specifically highlight strong growth within our pharmacy service portfolio, including Specialty and underlying script growth, aided by projected 98% client retention level. And continued expansion of our U.S. Government business, including Medicare Advantage, where we continue to drive both strong market and product expansion as well as in-market growth putting us on track for customer growth in our targeted range of 10% to 15% in 2021 and in individual exchanges where we've increased our addressable market footprint by over 50%.

All in, we are positioned for both very strong revenue and continued earnings growth in 2021, and we remain on track to achieve our strategic goal of $20 to $21 of EPS. We expect our strong operating momentum and capital-light framework to drive attractive operating cash flows of greater than $8 billion. This significant cash flow generation, combined with our ongoing deleveraging will give us significant strategic and financial flexibility for 2021 and beyond.

Now to summarize before turning it over to Eric. Cigna has a long history of delivering strong performance in dynamic, rapidly evolving environments, focused first and foremost on addressing the health and well-being needs of the individuals we serve. This approach transcends the results of any particular election cycle. We continue to build on this foundation as we delivered another strong quarter, driven by the outstanding dedication of our more than 70,000 colleagues around the world who focus every day on our mission to improve the health, well-being and peace of mind of those we serve.

Our mission and our strategy as champions for affordable, predictable and simple healthcare will continue to guide us as we provide exceptional value for the benefit of our customers, patients and clients. And the launch of Evernorth will further fuel our strategy and expand our ability to serve more individuals.

Finally, as we usually do, we look forward to providing more detailed and complete guidance for 2021 on our fourth quarter earnings call.

With that, I'll turn it over to Eric.

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

Thanks, David, and good morning, everyone. Today, I will review key aspects of Cigna's third quarter results, including the ongoing impact of COVID-19 on our business and discuss our outlook for the full year. Key consolidated financial highlights for the third quarter of 2020 include adjusted revenues of $40.8 billion, adjusted earnings of $1.6 billion after-tax and adjusted earnings per share of $4.41. Our results this quarter and year-to-date reflect focused execution across our businesses in a dynamic, rapidly evolving environment.

Regarding our segments, I'll first comment on Evernorth. Third quarter adjusted revenues grew to $30 billion, and adjusted pretax earnings grew to $1.4 billion. As previously discussed, in Evernorth, the cadence of quarterly earnings is more typical in 2020 than in 2019, where earnings were more weighted to the second half of the year due to the timing of certain supply chain initiatives. Evernorth's strong results in the quarter were driven by organic growth in customers and script volumes, the effective execution of supply chain initiatives and continued performance and expansion of specialty Pharmacy services through Accredo, our industry-leading specialty pharmacy.

We fulfilled 381 million adjusted pharmacy scripts, a 22% increase over the third quarter of 2019. Overall, Evernorth continued its positive momentum and delivered another strong quarter of financial results.

Turning to our U.S. Medical segment. Third quarter adjusted revenues were $9.6 billion and adjusted pretax earnings were $757 million. These results reflect unfavorable prior period development primarily related to the second quarter of 2020, COVID-19 related impacts and the return of the health insurance tax. COVID-19 related impacts include the return of medical utilization to more typical levels, the direct costs of COVID-19 testing and treatment, decreased specialty contributions and lower net investment income.

It also reflects the actions we have taken throughout the year to support our stakeholders in this disrupted environment. For all customers, we continue to waive cost-sharing for COVID-19 testing and treatment. For our Medicare Advantage and individual and family plans customers, we continue to waive cost-sharing for in-office and telehealth visits for primary care, specialty care and behavioral health.

For clients, we've provided premium relief programs. And for providers, we've implemented a variety of financial assistance programs. I'm proud of the way that we at Cigna continue to respond to the pandemic in support of our stakeholders.

Turning to membership. We ended the quarter with 17 million global medical customers, less than a 1% decline sequentially. Our U.S. Commercial book of business remains resilient due to the industry mix of our clients and continued commitments that employers are making to the health and well-being of their employees through furloughs. We also continue to see growth in Medicare Advantage, where we've grown membership 18% through the end of the third quarter, and we also continue to grow in the Select segment.

Overall, with the exception of the unfavorable prior period development, results in our U.S. Medical segment are in line with our expectations.

Turning to our International Markets business. Third quarter adjusted revenues were $1.4 billion and adjusted pretax earnings were $208 million, reflecting continued operational efficiency, lower claims due to COVID-19 and ongoing business growth.

For our Group Disability and Other operations segment, third quarter adjusted revenues were $1.3 billion. Third quarter adjusted pretax earnings for the segment were $70 million, reflecting elevated life claims due to the pandemic.

For our Corporate segment, the third quarter 2020 loss of $366 million reflects lower interest expenses due to the lower levels of outstanding debt. Overall, as a result of focused execution in a dynamic environment, we continue to deliver value for all of our stakeholders and strong financial results.

Now looking forward to our outlook for full year 2020. As we look to the balance of the year, we expect continued strong execution across our portfolio of businesses. We expect medical utilization to remain at more typical levels with continued direct costs of COVID-19 testing and treatment, and we expect some increase in commercial disenrollment due to continued dislocation in the broader labor market.

In the fourth quarter, we will also continue to make investments to support our clients, customers and employees in this disrupted environment. Now taken as a whole, we now expect full year 2020 consolidated adjusted revenues of approximately $158 billion, and we now expect full year consolidated adjusted earnings per share in the range of $18.30 to $18.60.

I would remind you that our financial outlook excludes the impact of future share repurchases, and assumes a full year of contributions from our Group Disability and Life business, although we continue to expect our divestiture of that business to close in the fourth quarter. Overall, these expected results are driven by strong underlying fundamentals, disciplined expense management, and the effective deployment of capital.

Now moving to our 2020 capital and liquidity position and outlook, third quarter cash flows from operations of $895 million reflects the additional third quarter tax payment of approximately $826 million that was delayed from the second quarter as permitted under the CARES Act, as well as the payment of $445 million for the health insurance tax for the full year. Through the end of the third quarter, cash flows from operations were $6 billion, and for 2020, we now expect cash flows from operations of greater than $8 billion.

Our businesses generate a substantial amount of cash flow. And in combination with $5.3 billion in net proceeds expected from the sale of our Group Disability and Life business, we have significant capital and financial flexibility. Through the end of the third quarter, we deployed $1.7 billion to debt repayment and our debt to capitalization ratio of 42.8% as of September 30 has improved from 45.2% at December 31, 2019. We had $1.2

billion of cash available at the parent at the end of the third quarter. And on a year-to-date basis, we have repurchased 16 million shares of stock for $2.9 billion.

Following the close of the Group transaction, free cash available to the parent is expected to be at least $7 billion, and we expect to deploy $4 billion to $5 billion to return our debt to capitalization ratio below 40%. Our balance sheet and cash flow outlook remain strong, benefiting from our highly efficient service-based orientation that drives strategic flexibility, strong margins and returns on capital. Now to recap, our third quarter consolidated results reflect focused execution across our businesses in a dynamic, rapidly evolving environment with particular strength and momentum in our Evernorth segment.

We are well-positioned to meet the financial targets we've established for 2020, all while continuing to support our clients, customers and employees. And as such, we now expect 2020 full year adjusted EPS of $18.30 to $18.60 per share and remain on track to deliver on our target of $20 to $21 of adjusted earnings per share in 2021.

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*

I want to ask, first, can you give us a little more color on the negative development that you attributed to the second quarter in terms of the drivers and maybe what businesses have been? And then secondly, can you give us any update on the deal close, what states or what needs to happen to get this closed? And when you might give us a more fulsome kind of thought process around capital deployment? Given post that deal close over the next 12, 14 months, you'll have somewhere by my math, $8 billion to $10 billion to deploy. The thoughts on dividends, things like that.

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

Thanks, Justin. So I'll start with the reserve development piece first. So stepping back here a bit. Just to remind you, as we look back to the second quarter, we had significantly lower utilization in April and May. And as we closed out the second quarter, we had to make estimates around the claims associated with the month of June. Now with the benefit of hindsight, utilization in the month of June came back a little bit faster than we previously estimated. So the way I'd have you think about this, Justin, is we recorded about 1 point in the loss ratio in the third quarter that really should have been back in the second quarter.

So again, think about 100 basis points on the loss ratio in this third quarter results relating to in-year reserve development that's associated with the second quarter. That's the headline in terms of the reserve development. As you think about the pieces, I would point that primarily to the Commercial business in terms of the line of business, et cetera.

In terms of the deal close, to go to that part of your question, we're on track for closing in the fourth quarter. We've put out a release a couple of -- in September, so a handful of weeks ago now, noting that we had 55 out of the 65 required regulatory approvals, we now have 63 of the 65 required regulatory approvals. So we're right at the cusp of getting that transaction closed and going from there.

I'll let David take the kind of forward-looking comments in terms of capital deployment and the like.

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

Justin, I appreciate your question. And embedded in your question is acknowledgment of the strategic positioning of our portfolio, as you noted, we'll be producing a significant -- continue to produce a significant amount of cash flow that is deployable from that standpoint. From our point of view, stepping back, as noted in Eric's prepared remarks, you saw that we were pretty active in the share repurchase domain over the third quarter. And saw some tremendous opportunity there. Specific to your question, as I noted, we're going to look forward to providing 2021 guidance on our fourth quarter call. And you might expect that as we complete our Group closure as Eric articulated in the fourth quarter and stepping into the first quarter, we have an opportunity not just to refresh our a 2021 outlook, but also to refresh our capital deployment priorities and the like off of that very strong base. So we look forward to that conversation.

Operator

Our next question comes from Gary Taylor with JP Morgan.

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

First, a clarification then a question. In the slide deck, you do explicitly still point to the $20 to $21 in 2021. So I just wanted to confirm you're explicitly affirming that today just wasn't featured real prominently in the release. So I want to make sure on that. And then my question is on your experience rated commercial business, are there going to be premium or MLR headwinds because of the lower utilization as you move into '21? Or has there been enough customer relief, so to speak, that it smooths out that dynamic.

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

Gary, it's Eric. So on the first one, just to be clear, yes, we are reaffirming the $20 to $21 target and I don't think there's any ambiguity on that. That's been a target we've had for some time, and we continue to be on track for that. So again, I think the short answer to that question is yes. On the experience rated business, so as customers, as our clients have different levels of utilization. And if there's favorable utilization, we accrue for that in the period. So I would not think about there being any future headwinds here. Any kind of the dynamics associated with lower utilization are already reflected in the results and in the current period. So I would not think about that as a headwind in the future.

Operator

Our next question comes from Steve Valiquette with Barclays.

Andrew Mok - *Barclays Bank PLC, Research Division - Analyst*

This is Andrew Mok on for Steve. I wanted to revisit the Medicare Advantage growth targets when you unveiled the new MA strategy last year, you laid out 10% to 15% membership growth targets with 2020 serving as a stepping stone year. You're now on track to outperform the high end of that target in year 1. And it looks like you'll have a very attractive product offering for 2021. So is it fair to say that your formal growth targets, even at the high end might be a bit conservative when we think about 2021 membership growth?

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

Andrew, it's David. Thanks for the framing of the question. So stepping back, we're delighted with our performance in 2020 for starters. And as we laid out that multiyear 10% to 15% growth objective, we also underscore the fact that we were going to systematically expand our positioning in the market from less than 20% of the addressable market in 2019 to 50% of the addressable market in 2024. So we're systematically expanding our geographies, and we've added a new platform in terms of individual PPO in 2020. So that continues to carry forward.

As it relates to 2021, our view of our positioning of our offerings in the marketplace. We feel quite good about that. And as I noted in my prepared remarks, we have a strong base to jump off of relative to 88% Star rating and a Net Promoter Score of 74. We remain committed to that 10% to 15% range. We look forward to providing you updates as we go forward. We always strive to perform at our best. And I appreciate your optimism and will make sure that the Seniors team knows your optimism as well relative to this, but we are excited to end 2020 with a strong year and step into 2021 with some great growth momentum and look forward to continuing that beyond '21.

Andrew Mok - *Barclays Bank PLC, Research Division - Analyst*

Got it. And if I could just have a quick follow-up. How are you thinking about potential inorganic opportunities related to the senior platform?

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

So specific to inorganic opportunities, we've continued to have a portfolio of inorganic priorities. We've historically had 5 priorities or so that we walked through and we previously refreshed them about a year ago at our Investor Day from that standpoint. And U.S. seniors remains on that list. The underpinning growth chassis for this business is an organic growth chassis, to be clear. So we will be opportunistic and always open-minded relative to inorganic opportunities, but the growth chassis here is an organic growth chassis aided by our in-market growth, our platform expansion into individual PPO, our new market entry which I referenced before as well as over time, additional employer or EGWP growth from that standpoint. So it's organic first and opportunistic on inorganic as appropriate in the future.

Operator

(Operator Instructions) Our next question is from A.J. Rice with Credit Suisse.

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

Maybe just to ask about -- I think this is the first quarterly call you've done since you established the Evernorth business as a separate distinct entity. Maybe just give us a little bit of your thinking behind that decision to move that into the separate entity and begin to have its own brand identification. What does it say about where the company is going in terms of incremental business lines that, that might pursue tuck-in acquisitions, service capabilities and just give us a little bit more of your thinking about where you're going with the Evernorth business?

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

A.J., it's David. So specifically, relative to Evernorth, as I noted, we're quite excited to have launched that in September. We view it as a further reinforcement of, and an acceleration of, our health service strategy. We've talked for quite some time as a business, an evolving business portfolio of services and a health service portfolio. Specific to Evernorth, the way I'd ask you to think about it is, one, it's a further reinforcement of the dedication we have of resources for supporting large complex employer needs, health plan needs, governmental entity needs, both federal as well as state agency needs. As well as healthcare integrated systems and healthcare providers who are taking performance-based risk or value-based programs around that. Within our portfolio today, we have a large well-performing pharmacy services portfolio of solutions. We have benefit management solutions to bring forward to the marketplace. We have care management solutions. And a growing portfolio of data and analytics solutions from that standpoint. And lastly, to your comment, we see this as not only an attractive organic growth platform, and our performance reinforces that we're building from strength. But also an opportunity for tuck-in or expansion capabilities as we go forward. And illustratively, from that standpoint, we continue to see the opportunity to expand services that we offer to individuals. Around care delivery and care coordination from that standpoint, embracing technology, embracing virtual services expanding our home healthcare capabilities, et cetera.

We're readily building some of those capabilities organically today, and we'll be opportunistic from an inorganic standpoint. So just an acceleration of our service portfolio, dedication of resources, reinforcing our partner of choice orientation and a very broad portfolio of services today that will continue to expand for the benefit of those we can serve.

Operator

Our next question comes from Josh Raskin with Nephron Research.

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

Can you just give us some feedback on the integrated PBM and medical offering as you guys are a year further past the integration with Express Scripts and kind of how that's going into 2021? And are employers looking at that integration as sort of table stakes? And sort of if that's the case, what are the key differentiators you're going to market with?

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

Josh, it's David. So first, as a backdrop, as you know, we have had a long history within the Cigna portfolio of integrated offerings for employers. With a deep conviction relative to integrating those offerings with medical off of the then Cigna PBM, behavioral health and care management services. And that continues. The combination helps us further strengthen that value proposition in terms of furthering the affordability dimension of it, but also bringing some more systemic flexibility for solution design. That we can bring toward middle market and larger clients from that standpoint. And I would say that, that continues. Continued traction relative to the integrated proposition.

In addition to that, our results show the underlying strength of the pharmacy services from a point solution as we think about it or a specific, either PBM, PBM and specialty or broader suite of services around that. And then through Evernorth, we see the opportunity to further expand that by coordinating, say, behavioral health with pharmacy services going forward. So to the core of your question, our strength and momentum continues. The strong clinical outcomes we're delivering continues. Many employer buyers value that integrated proposition, and we're oriented around that within the Cigna brand. But some larger corporate buyers orient still around either an a la carte or point solution and increasingly looking for some additional leverage around that. You'll hear us talk about coordinated benefits by bringing say, pharmacy and behavioral together to coordinate those services.

And as a combined corporation with the Cigna brand and the Evernorth brand, we're really well-positioned to deliver for either buyer orientation.

Operator

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

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

Great. I wanted to ask about the commercial membership trends. In the quarter, you mentioned that things came in better in part because furlough, but also in part because of your customer segments that you're targeting. It sounds like you are assuming that attrition will accelerate in the future. But I guess, have your thoughts changed at all about the size of the decline that you might see during this recession and how resilient your commercial membership that might be over the next few quarters even with unemployment at these levels?

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

So Kevin, it's David. First, as we get into the commercial conversation, I do want to pause for a second. And recognize from what we see is just the tremendous contribution that employers are making right now in these disruptive times facing COVID. We're seeing employers of all sizes work, stretch, innovate to do everything possible to support their employees and their family members. Whether those are expanded services, additional coverages relative to testing and treatment costs and then working tirelessly to either minimize the layoffs or when they need to transpire doing them through furloughs and having coordination. So I do think it's important to pause there and recognize the power of that system right now in corporations of all shapes and sizes, working really hard to support individuals.

As it relates to membership, as Eric noted, in the big picture of a disruptive environment, we're pleased with our performance. Our portfolio tends to be well-positioned by industry sub-segment and our transparency of our programs has us highly aligned with employers. For example, through the third quarter, our employer clients because of our transparent funding mechanisms have about $3 billion less spending than they otherwise would have projected to have given the environment and the continuity of cash flow that takes place around that is quite helpful. Above and beyond that, we've taken some additional steps.

As we look forward, we know it's a disrupted environment. We expect right now, as we look at the environment that we will continue to see employer-customer disruption throughout the residual part of this year and into 2021. That's factored into our outlook, when we talk about 2021 in detail next quarter, we'll try to give you more insight relative to that. We're expecting net-net with our new growth as well as the retention as well as disenrollment,we would go from the end of this calendar year's number to the beginning of 2021 with approximately stable commercial membership. As we continue to sell in the select segment and continue to have some retention losses, but all within our strategic range. And then throughout the course of the year, while we expect to see some continued disenrollment pressure, our outlook relative to growth is quite positive with some known traction into 2021, and we expect to see some slight growth going forward.

So all in all, in a highly disruptive environment. We're very pleased with the results we're able to deliver, and we're fortunate to be partnered with so many commercial clients that are putting their employees front and center.

Operator

Our next question is from Ralph Giacobbe with Citi.

Ralph Giacobbe - *Citigroup Inc. Exchange Research - Research Analyst*

I was hoping you could talk a little bit more about how the onboarding of Prime has gone and the opportunity, not just on the retail, but on the specialty side, and how the option or, I guess, opt-in perhaps works for each of the Blues? And then what impact that could have either in 2021? Or if we have to consider certain costs and whether it's more of a 2022 impact?

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

Ralph. So first and foremost, relative to Prime, as I noted in the prepared remarks, we work every day to try to earn that right to be, as we call it, an undisputed partner of choice. It's a strategic imperative. It guides our actions. And underlying that, we need to have the products, programs and services to deliver value, but we also have to have the orientation to partner and to seek mutual alignment. We're pleased with the early configuration with Prime. We established that and stood it up in April of this calendar year, and it's performing well. The further dedication we had around Evernorth and our performance relative to that first expansion of services earned us the right, as we noted, to -- and the opportunity to be able to serve Prime in a more expansive basis. We will see that growth continue systematically throughout 2021.

As I noted in my prepared remarks, the plans have choices. We're a choice-based framework. But the -- for example, the Accredo value proposition is a tremendous value proposition, and we're excited to expand that starting in January 1 for many of the Prime plans. There's investments, there's ongoing investments we're making. That's factored into our outlook for this year, there'll be further investments we're making in the fourth quarter of this year for the tremendous underpinning of growth around that, but we're well-positioned to be able to make that happen and achieve our goals and objectives for 2020 that Eric noted in terms of our refreshed objective. And as we get into the detailed 2021 guidance next quarter, we'll try to give you a little bit more color. But we just see this as an ongoing expansion of a mutually beneficial relationship. Where we're able to create together some tremendous value that individuals will benefit from as we expand those we're able to serve.

Operator

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

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

Yes. I was hoping to just ask about the level of medical trend, particularly in your commercial book, but Medicare too, that you're seeing now, and I'm trying to understand if we put aside the actions that you've taken to grant relief to patients and providers and just look at it from the standpoint of the recovery and utilization plus the direct cost of COVID, are you below trend, above trend or at trend? And where do you expect that to go as we get into next year?

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

Matt, it's Eric. With respect to the component pieces, I touched on it a little bit in my prepared remarks, but to unpack the components, I would have you think about putting COVID aside, utilization being slightly below kind of what we would have expected to be normal. So call it 95-ish percent for the third quarter in terms of kind of normal levels of utilization. When you add on top of that, the impact of testing and treatment for COVID, and on top of that, the additional actions that we've taken to reduce barriers or reduce cost-sharing and touch to ensure our customers have access to care. That puts you all together, a little bit above the normal. And you might remember, in the second quarter, we had set an expectation that the loss ratio for the second half of this year would be elevated relative to what you otherwise might call a normal loss ratio. So when you put those pieces together, those are the big building blocks. The only other thing I'd note is it really does vary by geography. So as we've had the COVID play in and out of different geographies, that kind of moves things up and down and such. Again, when you roll it all up together, in aggregate, would be consistent with what I just described.

Operator

Our next question is from Dave Windley with Jefferies. We will move on to the next question, who is Scott Fidel with Stephens.

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

Okay. Just interested if you can just drill in a bit more on -- I know David had mentioned as one of the tailwinds for 2021 being some opportunities for administrative savings. And just interested if you've established or can identify a specific cost savings target yet? Or -- and if not, maybe just talk about some of the key buckets of admin savings opportunity that you see for 2021?

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

Yes. Scott, it's Eric. So I would not call out any particular initiative or program. I think about the opportunity here as really being much more in our continued ongoing drive for improving affordability of our services overall. I just think about things like leveraging technology, improving the efficiency, automation, et cetera, of all the different processes throughout the organization. But I think that, again, is just part of the culture of us continuing to create efficiencies versus any particular program.

Operator

Our next question is from John Ransom with Raymond James.

John Wilson Ransom - *Raymond James & Associates, Inc., Research Division - MD of Equity Research & Director of Healthcare Research*

A two part question, if you would. Number one, how do you think about the materiality, if at all, if the unlikely event happens that there's a wholesale pharma manufacturer revolt against 340B discounts at contract pharmacies? And then secondly, we are seeing an acceleration of the rise of these new models that promise 20%, 30%, 40% savings on medical trend by integrating primary care doctors and data? Are you still committed to your CPI goal? And do you think that the market can just continue to sustain mid-single-digit trends for Evernorth? Or do you think the industry is vulnerable as the trend continues to kind of double and triple in CPI?

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

John, it's David. Let me take in reverse order. So when we stepped forward and put forth the CPI goal and objective, I think it caused the market to question whether or not that was theoretical, possible or otherwise. But it was a conversation that needs to be had because we established it around an orientation that it was a symbol of sustainability, not that it was perfect, but it was a symbol of sustainability. Said otherwise, if total basket of goods cost from a societal standpoint are increasing by x, whatever x is 2%. Businesses need to find a way to approximate that to create a level of sustainability or better from that standpoint. And we're proud of the fact that we've delivered the lowest medical cost trend. And by the way, the lowest pharmacy trend in our space as best anybody could tell, apples-to-apples, year-in, year-out. So that continuation is mission critical. This is a unique year, as everybody knows, relative to COVID in terms of disrupting the trend, but we continue to drive toward that.

Second, within the context of your question, we see many, if to your term, disruptive or innovative models to drive step function improvements. And we have many clients today pre-COVID that are benefiting from CPI or well better than CPI trend, who are on the highly innovative dimension of consumer engagement, incentive alignment, heavy leverage and utilization of value-based care provider groups and center of excellence leverage from that standpoint, et cetera, et cetera. So you used the word disruption, I'll use the word innovation. We see the need for relentless drive relative to that because as I noted in my prepared remarks, we can't continue to afford and no society can continue to afford paying at the levels that are being driven.

The last point I make here is our open-framed partner orientation has us embrace, if you will, innovators or disruptors, be they care delivery systems or the like from that standpoint. So more to follow here. I appreciate you highlighting it, and we remain extremely committed to driving optimal value here. As it relates to your first point, there's a bunch of, I'd say, hypotheticals and theoreticals within that. The way I hear your first point, though, more broadly is it's another example of pressing for sustained affordability. 340B was designed with a specific purpose and intent in mind.

There are many hospitals and delivery system infrastructures that need 340B to make them work. It's an interesting time to have that conversation, whereby delivery system infrastructures are strained in ways we haven't seen in the past due to COVID causing massive revenue ramifications of which governmental intervention and some play by ourselves and others in our space are providing support from that standpoint. So it's an interesting time to have that theoretical conversation.

But like most programs, it will most likely evolve and our broader service portfolio is positioned to evolve with it.

Operator

Our next question comes from Robert Jones with Goldman Sachs.

Robert Patrick Jones - *Goldman Sachs Group, Inc., Research Division - VP*

Great. I guess just a couple of clarifications on Evernorth. I mean, first, just to follow-up on Josh's question on the Integrated Medical pharmacy offering. I'm just curious if you're actually seeing less desire or less PBM carve-outs in the market today? Or is it still something more of a discussion point with your customers? And then just on the quarter, Evernorth did see a fairly meaningful step-up in OpEx, and you touched on some of these items. Just curious, is that kind of more one-time in nature this year versus next year? Or is this probably or potentially a more permanent level of spend as we think about the Evernorth business?

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

Robert, it's David. I'll take your first question, and I'll ask Eric to address your second question. The simple answer is, no, we don't see a sea change in terms of buyer behavior relative to wanting more of or less of. It's one client at a time. We have very much of a consultative orientation, trying to find the right configuration of benefits and funding mechanisms that work for clients. Now within that, our select segment is an integrated offering. Full stop, period, the end. It's designed to be an integrated offering, whether it's on an ASO platform or a guaranteed cost platform. As you move upmarket in the commercial employer space within middle market and national accounts, you see different buying behaviors and it ebbs and flows. And I think the important message here is that as an entity, we are extremely well positioned to deliver what a client wants, whether they want a fully integrated offering, whether they want a point solution, a best-in-class PBM or best-in-class specialty pharmacy or both from that standpoint. Or increasingly looking to get some additional value of coordination of services, be it care management services, behavioral, et cetera, relative to that. But I wouldn't say there's a sea change. I would say think about Evernorth and Cigna together as being extremely well-positioned to deliver on the value that buyers want, be it integrated, point solutions, if you will stand-alone pharmacy services, in this case, or evolving some coordination of services to get another step function of value to come along with that.

Eric?

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

Yes. On the G&A ratio, in particular, be just a couple of things to call out here. At the most macro level, we do continue to spend and continue to invest in building additional capabilities in this business, and you see that in the G&A. There are a couple of other impacts, I'd call out as well. One, as you might remember, we talked a bit in the past. After the close of the acquisition, just kind of rebuilding of the amortization. So the amortization on the assets we acquired gets reset, and then we have to rebuild that expense in. So that has built over the -- over time. Offsetting that is us continuing to work to find synergies and find additional efficiencies. So again, those will be the biggest buckets that play into that ratio in any given quarter, but we will be looking to continue to spend and build additional capabilities there as we go forward.

Operator

Our next question comes from Charles Rhyee with Cowen. Moving on to our next question is from Lance Wilkes with Bernstein.

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

Just had a question on the Prime Therapeutics opportunity. And maybe if you could help us to frame that as far as like what's the further penetration into the existing relationship? How could penetration improve as you kind of do direct relationships or subsequent relationships with other Blues? And then their sell through, so they get carved out less, how does that improve the Prime penetration opportunity? And then maybe just as a clarification, you mentioned decreased specialty contribution in the prepared remarks. If you could just maybe clarify what that meant as well.

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

Lance, it's David. I'll take the first part of your question and ask Eric to take the second part of your question. I think I'd frame the first part of your question broadly is, first and foremost, we need to earn the right to serve clients each and every day. We were fortunate to be selected to be a partner with Prime as we set up the opportunity earlier this year, began servicing them in April, and those service offerings are working quite well. That positioned us and was reinforced with our commitment with Evernorth to expand those services, and we'll have the ability to grow at a pace based on the Prime participants as they so choose relative to our Specialty Pharmacy and the like. It allows us to have an opportunity to mutually grow together, your point relative to the sell-through and otherwise. Our team is focused on strengthening the value proposition of Prime and of the Prime members -- member plans to have more value to offer to their customers and grow their portfolio of businesses, full stop. That is the commitment of the team supporting the Prime relationship. And therefore, it should allow for us continue to grow off of the existing platform. It should allow for us to continue to grow as the Prime representation grows, and it should allow for us to continue to grow., as to your point, their sell-through has more traction on a go-forward basis. And our business model is designed to do so. So stay tuned for more. But the positioning that we have today, we love because now we'll be able to leverage our high-performing Specialty portfolio as well as our very strong and well-performing mail order pharmacy services operation for their benefit. Eric?

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

The Specialty contribution, Lance, to the comments that I made around Specialty contributions here refers to the portfolio of Specialty capabilities we have in benefits overall. So things like dental, behavioral, disease management, care management, et cetera, et cetera, et cetera. This has been a core part of our go-to-market approach for some time and a high-performing business. As you know, we did call out a bit lower contribution from these products in the quarter. And have you think about a couple of items here. One, as an example, we've seen significant increases in behavioral costs in 2020. In the third quarter, in particular, utilization there above our prior expectations as we've seen stresses and anxiety take a toll just on the mental health of the nation at large. One. And then two, the impact of volumes, right? So as we had a little bit of lower volume that comes through this business as well. But those would be the items I'd refer to in terms of the Specialty contributions.

Operator

Our next question is from Sarah James with Piper Sandler.

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

I was looking back at the transcript for the second quarter. And I know at that time, we talked about you not seeing a slowdown in claims receipt as of July 30. But then today, you're talking about 100 basis points of 3Q MLR being related to June. So it sounds like there's a slowdown in claims receipt in June that maybe wasn't there in April or May. And I'm wondering, as a result of that, did you change your assumptions in completion factor for how you reported 3Q? So what percent of claims come 60 days out or greater? And was there any impact on how you think about reserves or DCP as a result of that?

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

Sarah, it's Eric. So on -- you have a good memory, remember your question from the last call as well on that front. And I would still say, we haven't seen any change in speed of submission or anything along those lines from a claims perspective. Now the month of June, as I noted in response to one of the other questions and in my prepared remarks, the most recent month, we estimate really based more off of our estimation of activity, not so much extrapolating from kind of the claims that have been received yet or anything along those lines. So -- and as I noted, all else equal, we would have picked the month of June now a bit higher than what we did a quarter ago. But think of that as pretty isolated in terms of the impact. As we now have looked at the development of June and looked at our experience in July, August, September and even the emerging experience from October, we're staying quite consistent in terms of the return to normal levels of utilization, levels of speed of processing, et cetera. And if you look at our days claims payable metric, while that metric is not perfect, you see actually a pretty good degree of consistency in terms of the days claim payable metric for where we sit here at the end of third quarter 2020 compared with prior third quarters or things along those lines. So at a macro level, I'm quite comfortable that we've got the right estimates and such here and the estimation of claims in the overall speed of utilization, et cetera.

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

I guess, just to be more specific, when you reported 3Q MLR, did you assume whatever factor in June that you're seeing now continued through 3Q MLR. So whether that's a slowdown or ends up being conservatism and swings the other way with positive development, but did you hold that consistent?

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

Yes. So yes. So we played through the assumptions consistently by month. So again, just to unpack that a bit further, we had estimated the month of June, I made some comments a quarter ago about June being closer to back to normal levels of utilization, but the benefit of hindsight, it was much closer to normal. So previously, think about that as having been in the single digits closer to kind of a 0 level of variation from utilization. And we've played those types of assumptions all the way through in terms of each of our estimates for the months since then. So again, we would think the June impact was isolated to the month of June.

Operator

Our next question is from Stephen Tanal with SVB Leerink.

Stephen Tanal - *SVBLeerink - Analyst*

David, I hope to follow-up on your comments on the commercial market. You clarified the point about enrollment into 2021. Maybe tie that back to the selling season for group accounts. I think I heard national accounts enrollment might be down some to start '21, but offset by select and middle market growth. I just wanted to clarify that. But I'm also wondering if you could elaborate on your comment on the actions employers are taking in response to the pandemic as it relates to this business. Are you seeing benefit buy downs? Or what kind of innovation that you mentioned is resonating with employers into '21? Maybe if you can give us a sense for how pricing is going in the group insured side as well, that would be helpful?

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

Let me take it in reverse order. So specific to employer actions, obviously, unique to each employer. But if we step back and talk about a few of the general trends. First and foremost, the press for improved affordability and value transcends buyers of all shapes and sizes. And through our both prepared remarks and our dialogue today, we continue to reinforce the actions we're taking relative to further improvement of affordability and value trend deflection and the like from that standpoint. And our results remain quite strong relative to that. Beyond that, employers are both reaching. So expanding services, so a self-funded employer determines, are they going to waive the cost responsibility for individuals around testing. Around treatment from that standpoint, example one. 2, are they going to expand services for telehealth or virtual service fulfillment at little to no cost from that standpoint, many employers have expanded those services. Third, pressing, as Eric articulated before, to recognize that the behavioral challenges that have been ramping from a societal standpoint as we've been oriented around mind and body have stepped up to another threshold level. So reaching for identifying additional, we'll call them, behavioral health and well-being services to help to deal with beyond the core of what mental health services we're dealing with around stress around anxiety, around resiliency, around loneliness from that standpoint. So we're seeing employers step into a whole variety of actions and press from an innovation standpoint, press themselves from a care delivery standpoint, et cetera, before we get to the decisions they make when they decide to furlough somebody versus lay them off to try to have continuity of benefits for the benefit of those individuals.

Back to the comments relative to the selling season, I was trying to provide a little bit of direction there. So let me punch that up a little bit, but we'll go through the appropriate detail on the fourth quarter call. What I indicated is as we look at the overall commercial medical customer environment, first and foremost, our results through 3 quarters of this year are strong, given the dislocation that's happened in the environment. And our overall portfolio continues to perform well from that standpoint. Second, I indicated that as we sit here today, we would expect that the medical membership that we'll end the year with, and we expect to see continued disenrollment pressure throughout the course of this year. The medical membership that we'll end this year with will be about the same medical membership we'll have on January 1, plus or minus. There's puts and takes there. There's always some lost accounts, although our retention outlook is quite strong. There's always some 1/1 accounts that come through from that standpoint. And this enrollment will continue. The net of all that in the month of January, our estimation is it will be about stable. And that we'll see some membership growth throughout the course of the year. In part, what you heard with that is the select segment sells every month. Every month is the most important month for that segment. So we'll see continued growth contributions come along relative to that. We have visibility relative to some additional growth in the mid part of the year. And then ultimately, we're expecting that the disenrollment pressure in '21 will continue at a minimum throughout the first half plus of 2021.

So I hope that color helps you kind of shape both what we're seeing in terms of the buying environment as well as what we're seeing relative to our outlook.

Operator

Our next question is from George Hill with Deutsche Bank.

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

This is actually a bit of a follow-up on Steve's question, which is kind of given the rapid growth of telemedicine and all the digitally-enabled solutions that we've seen come to market over the last year or so, could you talk about the demand in the selling season for the digital formulary solution and the Embarc specialty insurance product? And I guess, how far away do we think they are from being meaningful contributors to the Evernorth segment?

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

It's David. So as we step back and think about -- there's 2 different examples, you used the digital formulary and Embarc, but embedded in the first part of your comment, as we look at what the COVID environment has done, it's probably jumped multiple years of adoption relative to additional services from that standpoint. Not unique to our industry, but specific to our industry, as we take telehealth. And as we take the kind of reenvisioning what could be fulfilled in the home, both safely in a highly personalized way, in a more affordable way, leveraging technology yet in a different way. So we see, we'll call it, virtual care. So taking telehealth a little bit more broadly in a more comprehensive way as a market trend that will not reverse itself. Where we will see some -- both tremendous adoption, growth and importantly, value for individuals, not just from an affordability standpoint, but from a personalization standpoint through that lens. And there are a variety of initiatives we have, both through partner relationships we have, organic initiatives we have and the like. Specific to digital formulary and Embarc, I would not ask you to think about any one launch within our portfolio as the launch or the silver bullet.

Rather, we're really proud of the fact that even over the first 2 years as a combined corporation, we've had a consistent drumbeat of new innovations and new offerings that we've been able to bring to market for the benefit of our existing and prospective clients that we're able to serve through that -- through the Evernorth framework. And there's a dedicated innovation infrastructure and body of resources there. So the digital formulary has had very good receptivity. Embarc. Embarc is a little bit of a different value proposition where it's client-by-client opportunities, but it also is indicative of us changing the narrative. Trying to take a problem statement that society has said is unsolvable relative to the high cost, game changing, super specialty drugs from that standpoint. And trying to turn it into a more affordable, predictable, simplified offering, and you should expect us to bring more offerings akin to that to the marketplace. So we see that as positive contributors, indications of also our conviction relative to innovation and conviction relative to value delivery, and it's contributing to our Evernorth growth chassis.

Operator

Our next question is from Ricky Goldwasser with Morgan Stanley.

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

Biosimilars was highlighted as a growth driver this quarter in some of the supply chain costs. When you think about the impact of biosimilars on Express in the quarter, have you seen any outsized benefit? And also, just how do you think about biosimilars positioning within formularies versus innovator products?

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

Yes. Ricky, it's Eric. I'll start. So in terms of calling anything out in the quarter, I really wouldn't note any particular impact. I think the potential here is meaningful in the future. So quite excited about the future opportunity as there are more therapies and treatments in the market and things along those lines. But I wouldn't call out anything related to the third quarter in terms of notable impacts.

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

Ricky, picking up on Eric's point, I agree with his statements and picking up on the opportunity. As we think about of biosimilars from a U.S. societal dimension, it represents a tremendous opportunity. And while it is grounded in supply chain, it's by no means limited to supply chain because the biosimilar dimension, you need to have deep and broad clinical acumen. Both in the pharmaceutical arena, but then the additional reach within the practicing physicians to ensure that the decisions made one patient at a time are grounded in the appropriate clinical orientation. And as a combined corporation now, we not only have the supply chain infrastructure and the deep and well-performing pharmacy clinical infrastructure, but we have deep medical relationships through value-based care and aligned relationships that position us quite well and we're excited to get on with a biosimilar adoption rate, where the U.S., if we're honest with ourselves, lags some other countries relative to the approval rate and from an affordability and value standpoint, we need to get on with it. And we are well-positioned as the combined corporation to deliver great value there.

Operator

Our last question is from Charles Rhyee with Cowen.

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

Great. I just maybe a two part question here. First on vaccines. With a potential COVID vaccine coming, can you talk about sort of the -- how that kind of impacts the company, both positive from, I guess, a revenue standpoint and a cost standpoint, and talk about sort of what -- how pricing and reimbursement, as you understand it maybe at this point? I know it's very early, it could happen because I understand the government has bought a first big tranche of vaccine. How do you understand the distribution of that to work, particularly as we think maybe more from the Evernorth side? And then secondly, related to that, I think yesterday, Biogen had a very positive AdCom meeting for their new Alzheimer's drug. Again, maybe if you could how we -- David walk through or Eric, how we should think about that impacting maybe the Evernorth business. Is that something you would expect to distribute through the Accredo brand? And is this something that would fall into the Embarc program as well?

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

It's David. So in your first point, there's multiple dimensions within that. But stepping back on the vaccine, in the current configuration, we don't step into this viewing that the vaccine presents a unique revenue generation opportunity. It's a service opportunity. It will be facilitated through Evernorth for sure. The pricing, the reimbursement structure, et cetera, that will evolve, will be varied based on the specific vaccines that manifest themselves as you know, our clinical leadership team is highly embedded in the national dialogue relative to this, including the distribution complexity that comes along with these vaccines that our society is starting to get their arms around relative to more than 1 dose, the continuity that needs to transpire. How society will be kind of prioritized from medical professionals through first responders to high-risk individuals, et cetera. And we are well-configured as a large service provider to be in support of and in-service to that initiative, and we look forward relative to that.

Our team is taking prudent estimates relative to what we think the cost of the vaccines would be relative to our 2021 outlook as well through that lens. And as it relates to the Alzheimer's drug. I think it's another good example of ongoing innovation, whereas we hit the pause button for a moment, and recognize that the vast majority of innovation in the present environment and as we extrapolate forward around healthcare innovation is and will continue to transpire pharmaceutically. Right? The chapter is evolving on an accelerated basis that clinical innovation globally will be heavily pharmaceutically oriented from that standpoint. And the Alzheimer's drug, which is quite exciting from a societal standpoint is also extremely complex and costly, hence, having market-leading specialty pharmacy capability through Accredo positions us quite well.

And to your last point, presents additional opportunities to potentially expand the Embarc program, which we would suggest would transpire over time. So I think it's a good concrete example of what the future has in-store relative to very exciting and life-changing drugs, but also highly complex and costly and having the capabilities to be able to serve and support that, whether through the Alzheimer's drug, you just questioned or previously Ricky questioned relative to biosimilars going the other way, our Evernorth portfolio is really well-positioned to be able to create great value for society here.

Operator

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

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

Thank you. So as we wrap up here, I'd like to first and foremost acknowledge Cigna's more than 70,000 colleagues around the globe who, again, have worked tirelessly and with great empathy throughout this pandemic in support of those we're able to serve around the world, customers, patients and clients. Our mission at Cigna to improve the health, well-being, the peace of mind of those we serve has never been more important and continues to guide all the actions. Specific to Evernorth, it represents an exciting new chapter for our company, and along with our other growth platforms, we seek to leverage our broad suite of capabilities to create innovative and flexible solutions to tackle some of the society's toughest healthcare issues and drive sustained growth. From a results perspective, we once again delivered strong results this quarter, and we remain on track to complete the integration of Cigna and Express Scripts by the end of this calendar year. We're also well-positioned to deliver very strong revenue and EPS outlook for 2020 as well as our 2021 EPS target of $20 to $21 per share. With that, we thank you for joining our call. Hope everybody remains healthy and safe in these trying times. Thanks.

Operator

Ladies and gentlemen, this concludes Cigna's Third Quarter 2020 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 1800-839-8789 or 203-369-3037. There is no passcode required for this replay. Thank you for participating. We will now disconnect.
