REFINITIV STREETEVENTS

EDITED TRANSCRIPT

CI.N - Q4 2023 Cigna Group Earnings Call

EVENT DATE/TIME: FEBRUARY 02, 2024 / 1:30PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Brian C. Evanko *The Cigna Group - Executive VP & CFO and President & CEO for Cigna Healthcare*

David Michael Cordani *The Cigna Group - President, CEO & Chair of the Board*

Eric Paul Palmer *The Cigna Group - Executive VP for Enterprise Strategy, Evernorth Health Services, CEO, President & Director*

Ralph Giacobbe *The Cigna Group - Senior VP & Head of IR*

CONFERENCE CALL PARTICIPANTS

Albert J. William Rice *UBS Investment Bank, Research Division - Analyst*

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

Erin Elizabeth Wilson Wright *Morgan Stanley, Research Division - Equity Analyst*

Gary Paul Taylor *TD Cowen, Research Division - MD & Senior Equity Research Analyst*

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

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

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

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

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

Lisa Christine Gill *JPMorgan Chase & Co, Research Division - Analyst*

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

Stephen C. Baxter *Wells Fargo Securities, LLC, Research Division - Senior Equity Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by for The Cigna Group's Fourth Quarter 2023 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 Ralph Giacobbe. Please go ahead.

Ralph Giacobbe - *The Cigna Group - Senior VP & Head of IR*

Great. Thanks, operator. Good morning, everyone. Thank you for joining today's call. I'm Ralph Giacobbe, Senior Vice President of Investor Relations. With me on the line this morning are David Cordani, The Cigna Group's Chairman and Chief Executive Officer; Brian Evanko, Chief Financial Officer of The Cigna Group and President and Chief Executive Officer of Cigna Healthcare; and Eric Palmer, President and Chief Executive Officer of Evernorth Health Services. In our remarks today, David and Brian will cover a number of topics, including our fourth quarter and full year 2023 financial results and our financial outlook for 2024. Following their prepared remarks, David, Brian and Eric will be available for Q&A.

As noted in our earnings release, when describing our financial results, we use certain financial measures including 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 thecignagroup.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'll be making some forward-looking statements, including statements regarding our outlook for 2024 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.

Pertaining to our financial results, in the fourth quarter, we recorded a net after-tax special item charge of $552 million or $1.88 per share. Details of the special items are included in our quarterly financial supplement. As described in today's 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 2024 outlook, we will do so on a basis that includes the potential impact of future share repurchases and anticipated 2024 dividends.

With that, I'll turn the call over to David.

David Michael Cordani - *The Cigna Group - President, CEO & Chair of the Board*

Thanks, Ralph. Good morning, everyone, and thanks for joining our call today. 2023 was a very strong year for our company with consistent performance and sustained growth. We executed with discipline across our businesses. We delivered for our customers and patients, our employer clients, our health plan partners and the others we serve. And with our expertise and diverse breadth of capabilities, we continue to improve affordability and clinical outcomes as well as continuing our work to expand access and choice. As we look forward, we're carrying momentum into 2024 and we expect another strong year of performance and growth.

Now today, I'll focus my comments on key strategic drivers of our performance last year and how we continue to evolve and advance our business to sustain our impact and growth. Brian will then walk through additional details about our performance for 2023 as well as our outlook for 2024. Then we'll take your questions.

Now before I go into our results, I want to comment on the announcement we made earlier this week. We reached a definitive agreement to sell our Medicare businesses to HCSC. We expect this transaction to close in early 2025 following customary legal and regulatory approvals. And while we continue to see the seniors market as an attractive growth market, we concluded that our Medicare businesses, while large at about $12 billion in revenue, would require sustained investments and focus and capital as well as dedicated resources that were disproportionate with their size within The Cigna Group's portfolio.

Additionally, with Evernorth's broad high-performing service portfolio, we will continue to serve the needs of seniors and grow our business. I would note that as part of our agreement, HCSC will be served by Evernorth for continued services for the customers we are selling. Additionally, we're expanding the reach of Evernorth's portfolio and see significant continued growth opportunities in Government services, including Medicare.

Now as we consider the performance of our Medicare Advantage business in 2023, in the fourth quarter, results were in line with our expectations. And for the year, we balanced high-quality and competitive benefits offerings, continued target market expansion and disciplined pricing activity.

Now with that, let's move into our 2023 headlines. Broadly for 2023, we exceeded our financial commitments: full year total revenue, we delivered $195.3 billion; full year adjusted earnings per share was $25.09; and cash flow from operations of $11.8 billion. This performance extends our track record of delivering consistent positive results in the face of dynamic market conditions. It speaks to the power of our franchise and the purposeful way we've constructed our company, continuing to build on the strength of Cigna Healthcare while also shaping and expanding our Evernorth Health Services platform to lead the way in addressing evolving needs in the marketplace.

As a result of our focus, discipline and sustained execution, over the past decade, we've delivered adjusted EPS growth of more than 13% on an annualized basis. In the 5 years since our acquisition of Express Scripts, we've achieved or surpassed every goal we established for the combined company. Through 2023, we've grown revenue by over $50 billion and met or exceeded our adjusted EPS objectives each year, and we've returned $27 billion to shareholders through share repurchase as well as attractive dividend payments. In 2023, after increasing our outlook for adjusted EPS twice over the course of the year, we had a strong finish and delivered full year adjusted EPS that was better than expectations. In short, we've demonstrated the ability to profitably evolve our business and services that we provide over many years, which enable us to continue to deliver on our commitments and grow.

Now I'll discuss our performance in greater detail. I'll start with Evernorth. In our Express Scripts business, we successfully implemented the single largest contract ever in the pharmacy benefits industry. Throughout 2023, thousands of coworkers collaborated and worked with dedication so we'd be ready to begin fulfilling well over 400 million annual prescriptions for 20 million Centene customers starting at the beginning of this year. Additionally, Centene was amongst hundreds of additional clients that we're ready to serve in 2024, and I'm proud to say we're off to a strong start. The good work of our team has helped us meet the needs of our customers and reinforce the trust that Centene and other clients place in our company.

Another Evernorth highlight for 2023 is that we once again advanced industry-leading innovation. Last spring, we launched a series of innovations, including ClearCareRx, to support affordability, additional transparency and broader choice, as well as IndependentRx, to partner and enable more closely with independent pharmacies. Then in November, we went further in expanding choice for clients, funding their pharmacy benefits with Express Scripts ClearNetwork. We were the first to launch a scaled pharmacy network model offering cost-based pricing.

In addition, our accelerated growth businesses with Evernorth fueled our momentum as well. Accelerated growth in Accredo Specialty Pharmacy and CuraScript SD businesses and in our care services businesses contributed to Evernorth's strong top and bottom line results. With Accredo and CuraScript SD, we're supporting patients and providers with safe and effective use of the growing volume of high-cost clinically complex specialty drugs. We also continue building out our care service platforms to ensure patients can access care when and how they need it while also remaining connected with physical site of care. Our MDLIVE virtual platform, for example, is now available to over 60 million individuals as part of their benefits offering and is supporting a growing volume of care, including over 2.2 million virtual visits in 2023. Our results clearly demonstrate that with Evernorth's leading capabilities, we are a valued and flexible partner for health plans, employers, governmental organizations and health care providers.

In Cigna Healthcare, we drove revenue and customer growth through disciplined pricing and medical cost management. We serve employers and individuals who trust us to guide them through the health care system. Our leading clinical care programs continue to support our customers and patients, equipping them with the right information and insights they need to make the best choices for their health and vitality. Our ongoing pricing and continued progress in affordability initiatives in 2023 resulted in a medical care ratio that was better than expectations.

Our U.S. Commercial Employer business had an outstanding year with continued strong growth. This was driven by our team's continued success in strengthening our competitive position through improved affordability and leveraging our high-performance networks and digitally enabled services as we expand care access, coordination of care and overall value. Our individual exchange business performed broadly in line with our expectations for the fourth quarter. And with the actions we've taken, we are on track to deliver improved profitability in 2024. And in international health, we achieved another positive top and bottom line results. Our high quality and localized health solutions, supported by our global provider network, continue to resonate very well with the globally mobile population and employees of multinational corporations as well as intergovernmental organizations.

Now turning to 2024. We will sustain our growth and high performance by sharply focusing on the greatest opportunities with a well-balanced portfolio of complementary businesses and a clear durable strategic growth framework. First, we will drive continued steady predictable growth from our high-performing foundational growth businesses: pharmacy benefit, U.S. Commercial Employer and our international health business.

Our clients depend on our pharmacy services, for example, and our expertise as well as our leadership in lowering cost for prescription drugs and addressing growing needs such as the high demand for the GLP-1 class of drugs for weight loss and diabetes. We have a long history of guiding appropriate access to medications and providing specialized clinical support, and we will continue to build on these efforts with new programs, such as our EnCircleRx program. We're also supporting customers in additional ways, including by offering enhanced digital tools to help them better understand the value of their pharmacy benefits.

We've been successful in growing our U.S. Commercial Employer business for more than a decade and continue to view this as a growth market for The Cigna Group. We continue to leverage the strength in coordinating a growing number of point solutions for our clients and improving clinical outcomes for our clients. Additionally, we continue to act as a disruptive innovator for small and middle-sized client needs.

Second, we will build on further momentum for our accelerated growth portfolio, our fast-growing scaled Specialty Pharmacy business and our care service businesses. We have tremendous opportunities in these large and expanding markets with our differentiated specialty capabilities, supporting patients with high cost and clinically complex treatments. And within care services, we're advancing our capabilities in behavioral health, virtual and home care as well as coordinated care programs for specific conditions.

In summary, for 2024, we will grow our customer and revenue base again and our earnings and operating cash flow at the higher end of our long-term strategic targets. We've increased our expectations for full year 2024 adjusted EPS to at least $28.25. We expect our consolidated adjusted revenues to grow at least 20%, and we expect to generate at least $11 billion of operating cash flow. And we will continue to return capital to our shareholders, including a 14% increase in our quarterly dividend.

Now before I wrap it up and turn it over to Brian, I also wanted to mention the announcements we made last month about expanding roles for Brian and Eric. Brian has been our Chief Financial Officer for the past 3 years and will continue in that role. He will also expand his responsibilities as President and CEO of Cigna Healthcare. Eric is expanding his responsibilities as Executive Vice President of Enterprise Strategy for The Cigna Group while also continuing as President and CEO of Evernorth Services. Brian and Eric's expanded positions, as well as other leadership changes we announced, provide further clarity of our priorities and strategy as well as the extent of reach and impact we continue to have. Importantly, it also reinforces the depth of our management bench.

At our Investor Day on March 7 in New York City, you'll hear more from me, Brian and Eric, as well as other key leaders from across our company. We look forward to sharing with you our views of the expanded addressable markets we see and how we've positioned The Cigna Group to advance our next chapters of attractive growth.

Now I'll briefly summarize. With the momentum we carried out of 2023, we're raising our guidance for EPS in 2024. We're building on a strong year of disciplined execution, performance and growth across our company. We delivered for our customers and clients and partners. We kept our commitments to our shareholders, including delivering adjusted EPS for 2023 of $25.09, which was above our outlook, and we generated $11.8 billion of cash flow from operations. We've sharpened the focus of our portfolio further to ensure that we're positioned to drive another strong year for our company. We're building on a consistent track record of disciplined execution, innovation and differentiated partnerships. We've increased our outlook for 2024 and now expect EPS of at least $28.25, and we will continue to advance the strategic deployment of capital, including using the majority of our discretionary cash flow for share repurchase in 2024. We'll have another strong year of performance, continue our track record for more than a decade of delivering against our 10% to 13% long-term adjusted EPS growth target while maintaining an attractive dividend.

And with that, I'll turn it over to Brian.

Brian C. Evanko - *The Cigna Group - Executive VP & CFO and President & CEO for Cigna Healthcare*

Thank you, David. Good morning, everyone. Today, I'll review The Cigna Group's fourth quarter and full year 2023 results and provide our outlook for full year 2024.

We're proud to deliver another strong year for The Cigna Group, reflecting focused execution and growth across Evernorth and Cigna Healthcare. Looking at full year 2023, some key consolidated financial highlights include: revenue of $195.3 billion, adjusted earnings per share of $25.09 and cash flow from operations of $11.8 billion, all while exceeding our initial expectations for the year. Fourth quarter enterprise results were particularly strong with revenue growing 12% to $51.1 billion, after-tax adjusted earnings growing to $2 billion and adjusted earnings per share growing to $6.79. These results reflect broad-based strength across the company, and this momentum positions us well for growth in 2024.

Regarding our growth platforms, I'll first comment on Evernorth. 2023 marked another year of sustained growth and profitability in Evernorth as our market-leading clinical capabilities and innovative solutions continue to create differentiated value for our health plan, employer and government, clients and customers. Fourth quarter 2023 Evernorth revenues grew 12% to $40.5 billion and pretax adjusted earnings grew 10% to $1.9 billion, both of which exceeded expectations. Evernorth's results in the quarter were driven by continued strong performance in our Specialty Pharmacy business, which saw a double-digit year-over-year revenue growth to reach $60 billion in revenues for full year 2023, and our unwavering focus on reducing net costs for our clients as new drug innovations come to market, including GLP-1 agonists, biosimilars, specialty generics and other emerging therapies for clinically complex conditions.

The fourth quarter capped a strong 2023 for Evernorth with pretax adjusted earnings growing 5% for the year, above expectations. We achieved this even while incurring meaningful spending related to the implementation of our Centene relationship. Evernorth's favorable revenue and adjusted earnings growth in full year 2023 reflected strong execution and expansion across our foundational business, Express Scripts and our scaled accelerated growth business, Accredo Specialty Pharmacy.

Now turning to Cigna Healthcare. We outperformed expectations with full year 2023 pretax adjusted earnings growing 9%, reflecting another year of highly effective execution. Fourth quarter 2023 adjusted revenues were $13 billion and pretax adjusted earnings were $969 million, representing strong year-over-year growth. The medical care ratio was 82.2%, favorable to expectations. Our medical care ratio favorability was primarily driven by our U.S. Commercial Employer business, particularly within our Stop Loss products, which outperformed expectations due to lower cost trends on high dollar claimants. Additionally, we saw lower-than-expected viral costs in the quarter with the combination of flu, COVID and RSV running below projections.

As David noted in his comments, we have entered a definitive agreement with HCSC to sell our Medicare businesses. We expect to close this transaction in early 2025 following regulatory approvals, and our full year 2024 outlook assumes full year contributions from our Medicare businesses. For fourth quarter specifically, our Medicare Advantage business generated performance broadly in line with expectations.

Across Cigna Healthcare, our full year 2023 medical care ratio was 81.3%, better than expectations, benefiting from our disciplined pricing execution, continued affordability initiatives and the favorability in our Stop Loss products. The full year MCR of 81.3% was 70 basis points better than the midpoint of our initial 2023 guidance and is an improvement of 40 basis points from full year 2022.

Moving to Cigna Healthcare medical customers. We ended 2023 with 19.8 million total medical customers, growth of approximately 1.8 million or 10% from year-end 2022, ahead of our initial guidance. This growth was driven by U.S. Healthcare, primarily from U.S. Commercial Employer fee-based customers, as well as growth in Individual Exchange and Medicare Advantage. Cigna Healthcare continues to perform well with strong underlying fundamentals. Our results reflect the strength of our differentiated value proposition and focused execution across the business as well as the stability and consistency of the U.S. Commercial Employer market. Overall, we're very proud of our strong 2023 results in a disruptive market environment, reflecting the intentional design of the company's growth platforms and our ongoing disciplined execution. This provides us with considerable momentum for 2024 and beyond.

Now turning to our outlook for full year 2024. Specifically, we continue to expect strong underlying growth in Evernorth and Cigna Healthcare. We expect full year 2024 consolidated adjusted revenues of at least $235 billion, and we expect full year 2024 consolidated adjusted income from operations to be at least $8.025 billion or at least $28.25 per share, an increase from our prior outlook. When considering earnings seasonality, we would expect the adjusted earnings per share pattern to be similar to 2023.

Now turning to our 2024 outlook for each of our growth platforms. In Evernorth, we expect full year 2024 adjusted earnings of at least $7 billion. We expect adjusted earnings within Evernorth to ramp as we move throughout the year with first quarter adjusted earnings contributing slightly below 20% of full year Evernorth adjusted earnings. The earnings ramp reflects the effect of early year client-specific onboarding spend. These investments are more concentrated in the first half of the year and taper off over the course of the year.

For Cigna Healthcare, we expect full year 2024 adjusted earnings of at least $4.75 billion. Assumptions in our Cigna Healthcare outlook for 2024 include approximately 19.3 million total medical customers at year-end, and we expect our medical care ratio to be in the range of 81.7% to 82.7% with the first quarter 2024 medical care ratio expected to be below the low end of the full year guidance range to reflect typical seasonal patterns.

Additionally, for the enterprise, we project an adjusted SG&A ratio of approximately 6.1% for 2024, reflecting a higher proportion of enterprise revenue from Evernorth, which carries a lower SG&A ratio. And we expect the consolidated adjusted tax rate to be in the range of 20.5% to 21%.

Turning to our 2023 capital management position and 2024 capital outlook. We finished 2023 strong and delivered $11.8 billion of cash flow from operations. In 2023, we repurchased 7.8 million shares of common stock for approximately $2.3 billion, and we returned $1.5 billion to shareholders via dividends. Additionally, our debt-to-capital ratio finished the year at 40.1%, an improvement of approximately 100 basis points from year-end 2022.

Now framing our 2024 capital outlook. We expect to deliver at least $11 billion of cash flow from operations through our efficient service-based business model. We expect to deploy approximately $1.5 billion to capital expenditures, and we expect to deploy approximately $1.6 billion to shareholder dividends, reflecting our quarterly dividend of $1.40 per share, a 14% increase on a per share basis. In 2024, we intend to use a majority of our discretionary cash flow for share repurchase. As we previously shared, we anticipate to repurchase at least $5 billion within the first half of 2024. Finally, we expect full year weighted average shares outstanding to be in the range of 282 million to 286 million shares.

Now to recap. Our full year 2023 consolidated results exceeded expectations, reflecting continued focused execution and discipline across Evernorth and Cigna Healthcare. And our 2024 outlook reflects continued strength and momentum across our 2 growth platforms, Evernorth and Cigna Healthcare. We are confident in our ability to deliver full year 2024 adjusted earnings of at least $28.25 per share.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from A.J. Rice with UBS.

Albert J. William Rice - *UBS Investment Bank, Research Division - Analyst*

Obviously, we have the announcement on your sale of the Medicare Advantage business, and yet you're saying you still view the business as attractive. Obviously, there's been some volatility in some of the performance of some of the other players in this space already announced. Is this the time, in your mind, to sort of step back from the market and give some time for the dust to settle? Or how should we interpret the comments that you still think that segment is attractive?

And then also on that, obviously, is there are speculation, at least in the press, about deal discussions. Your stock was quite volatile. I wonder if you could give us a little bit on how you approach large transactions, some of the financial parameters that people should keep in mind that would be hopefully reassuring for them.

David Michael Cordani - *The Cigna Group - President, CEO & Chair of the Board*

A.J., it's David. You have a lot in that question, and I appreciate it. Let me try to address some of the high points.

First and foremost, we are really pleased with the nature of the transaction we were able to structure with HCSC. We see it as a win-win, and it's a clarification to our strategy within our portfolio. As I noted in my prepared remarks, while we view the market as an attractive growth market, the required capital investment, resources, focus, relative to its size within our portfolio, coupled with the continued elevated regulatory environment, our decision was --- it was best to enter this transaction.

Point two is, very importantly, we've been quite deliberate now for several years, working to expand the service portfolio and the value proposition within Evernorth for health plan partners as it relates to their government services, be it Medicare, be it duals, be it Medicaid, et cetera. And we're demonstrating a very attractive proven track record of growing our government reach but through the services franchise. And we will continue to fuel that on a go-forward basis and see that as an attractive trajectory for us.

As it relates to your latter part of your question, I'll reframe our M&A criteria. I want to make sure I put that in the context of our capital deployment criteria. We continue to view, first, capital deployment priorities, investing in our business. Brian referenced the CapEx deployment of about $1.5 billion. Second, we always evaluate M&A for its appropriate attributes, which I'll come back to in a moment. And then third, returning capital to shareholders. And as Brian noted, in 2024, in addition to raising our dividend by 14%, we expect to return the majority of our excess capital to shareholders through share repurchase with at least $5 billion in the first half of the year.

Lastly, in your action-packed question, as we think about the criteria for transactions, we think about 3 criteria: first, strategic attraction; second, financial attraction; and then third, overall path to clarity. So is it strategically aligned? Is it financially attractive? And as a final note, when we think about the financial piece of the equation, you evaluate each deal on its own respective merits, but seeking to get high visibility in terms of your value creation for your organization if you're going to enter into a transaction.

So to repeat, we're pleased with the decision and the transaction design. We will continue in a long-term service relationship with HCSC that further expands our proven track record within Evernorth. We see the Evernorth service portfolio as an attractive capital-light high visibility way to grow this portfolio. And as we have in the past, we will maintain very strong discipline for capital deployment, and our 2024 capital deployment priorities are quite clear.

Operator

Our next question comes from Stephen Baxter with Wells Fargo.

Stephen C. Baxter - *Wells Fargo Securities, LLC, Research Division - Senior Equity Analyst*

I just wanted to ask another kind of quick follow-up on the Medicare Advantage. So I would be curious if you'd be willing to share maybe your 5- or 10-year view of the market. So I totally appreciate that it's a small part of your business before the sale, but you are still the eighth largest plan in the country. Do you think market share and concentration is ultimately going to look much more like the commercial market than it does today? Would love any kind of medium-term thoughts you could offer in the market.

David Michael Cordani - *The Cigna Group - President, CEO & Chair of the Board*

Stephen, it's David. You're asking for a 10-year crystal ball. I think in the dynamism of the marketplace, most people come back to in terms of rolling 3-year views of a given market.

But stepping back, first and foremost, the Medicare Advantage offering, broadly speaking, in the marketplace is a very attractive offering for seniors, and it has a long-term proven track record of delivering attractive benefits and, importantly, clinical coordination when you get to the Medicare beneficiaries, typically dealing with a higher level of clinical burden that's necessary for coordination. And the care outcomes, the quality outcomes, the overall value outcomes are positive. So broadly speaking, from a societal standpoint, we see MA as an important asset for the U.S. to continue to be served, supported financially and grow.

Secondly, the marketplace will see ebbs and flows in terms of the funding mechanism. We see the early look at the rate letter. That's a moment in time. That's a moment in time, either acceleration or potentially deceleration for that marketplace.

Third is, if you look at the senior satisfaction level, NPS broadly -- Net Promoter Score, broadly, is attractive for Medicare Advantage. Therefore, as I noted previously to A.J.'s point, we worked really aggressively to ensure that we have a broad and we'll continue to broaden the portfolio of services in support of health plans and integrated value-based care providers to be in support of value-based care, be it for Medicare Advantage tools or the commercial population.

So we see the marketplace as a growth market. Its respective growth will ebb and flow depending on reimbursement, to some level, from the government, lending toward benefit richness. And then ultimately, as you know, the last comment I would make is the primary wave of the baby boomer aging has reached a peak and is slowing. It's still attractive, but that primary wave has reached its peak and is slowing somewhat. Taken it as a whole, we see this as an expansion opportunity for Evernorth.

Operator

Our next question comes from Lisa Gill with JPMorgan.

Lisa Christine Gill - *JPMorgan Chase & Co, Research Division - Analyst*

I want to focus on Evernorth and maybe just understand some of the key drivers as you think about 2024. So first off, you talked about specialty in '23. Can you talk about what your expectations are about growth in specialty in '24, what you're doing around services? You touched a little bit on GLP-1. But you have a really big contract with CNC coming on board, but you also had an overall good 2024 selling season. So any of the key elements you can help us to understand as to what the drivers are for that strong AOI growth in Evernorth.

Eric Paul Palmer - *The Cigna Group - Executive VP for Enterprise Strategy, Evernorth Health Services, CEO, President & Director*

Thanks, Lisa. It's Eric. A couple of different pieces in there. But first, let me just talk a bit about the portfolio of services that we're focused on in terms of Evernorth, and I'll transition that into some of the drivers of growth specifically for 2024.

David noted in his prepared remarks a couple of highlights on capabilities we're growing. But I would call out, we are seeing significant interest from the market around themes helping to better coordinate individual point solutions and alleviate some of the burden that comes along with the fragmentation of how care is administered and how employers and plans are assembling care. So us working to improve navigation and reduce point solution fatigue is a key item.

Second of all, I would note, behavioral care continues to be an area of focus. And there's meaningful opportunity for behavioral care to be better coordinated as there's significant comorbidities with individuals with mental health care needs, along with other care needs. And we're in a position to help with -- address those challenges.

The third item that I'd note would be around specialty and, in particular, the opportunity for us to continue to grow as there are more therapies, more choices in the specialty market as well as navigating through biosimilars. Overall, we're positioned really well to continue to drive affordability and choice in biosimilars. And as we've talked about previously, that's an important long-term multiyear tailwind in the economics and the growth of Evernorth overall. And then certainly, the continued growth in therapies like GLP-1s are -- is an area that's a factor in our proposition overall.

So you put together that -- I've kind of touched on a number of the different capabilities. When you put together that suite of capabilities that ends up being a really attractive portfolio that we've had continued growth in the number of lives we're serving, growth in our clients' lives that enable us to deliver the numbers that we're talking about. Overall, we're really excited about the momentum we've got going into 2024 and see ourselves as well positioned to deliver there and continue the trajectory beyond.

Operator

Our next question comes from George Hill with Deutsche Bank.

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

I guess just a couple of clarifying questions for me as it relates to MLR and the guide for '24. You guys have kind of bumped up the medical cost expectations. Can you kind of disaggregate what you're seeing by line of business there? And I just want to confirm that the MA business is still kind of included in the continuing ops in the MLR guidance for '24 because I saw in the footnotes it's kind of being carried as an asset held for sale. So just kind of like a disaggregation of kind of medical cost expectations and trends expectations for '24.

Brian C. Evanko - *The Cigna Group - Executive VP & CFO and President & CEO for Cigna Healthcare*

George, it's Brian. So let me just take the MA question first, and then I'll get into the MCR.

So as noted in my comments earlier, the Medicare Advantage business will continue to be reported through Cigna Healthcare through 2024. So all of our guidance, whether that be the revenue guidance, the customer volume guidance, the earnings guidance, all assumes that the Medicare business will continue to be reported through Cigna Healthcare on an asset held-for-sale basis. So just to clarify that. So all the metrics that you see line up with that basis.

Within the MCR specifically, the midpoint of our guide obviously has a slight uptick from where we were in 2023. Now important to step back and think the 2023 MCR performance was favorable to expectations and the primary driver of the Cigna Healthcare income outperformance. We're just really pleased with the, both quarter and full year, coming in favorable with expectations. And as I mentioned earlier, the 81.3% full year MCR was 70 basis points better than the midpoint of where we had started the guidance early in 2023.

So you can think of the primary driver of the slightly higher projected 2024 MCR as being our Stop Loss products within the U.S. Commercial Employer business. As I mentioned earlier, these ran favorable to our target profit margins in 2023 due to lower-than-expected cost trends in high-dollar claimants. For 2024, our planning assumptions are for the Stop Loss products to normalize back into their typical target profit margin range.

Secondarily, there's some product mix shift within the Cigna Healthcare portfolio between 2023 and 2024 that will impact the overall Cigna Healthcare MCR, although I would note that we expect the overall Cigna Healthcare profit margin percentage to be higher in 2024 compared to 2023. And we'd expect that to land near the low end of our targeted 9% to 10% range in 2024. And then finally, when you think about our MCR guidance, as always, our guidance does have an appropriate level of prudence to start off the year.

Operator

Our next question comes from Josh Raskin with Nephron Research.

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

I wanted to get back to the Health Care Services Corp. divestiture. Why was the PDP asset included in that sale? I would've thought that, that would have strategic value on the Evernorth side and that you'd have an advantage on the cost structure. And then similarly, including CareAllies as well, was that more a tie-in to the Medicare Advantage business? And what does that mean for broad sort of value-based care network development at Cigna?

David Michael Cordani - *The Cigna Group - President, CEO & Chair of the Board*

Josh, it's David. Let me take a portion of your question and then ask Eric to expand. And I'm going to come at the latter piece of it in terms of CareAllies and VBC, et cetera.

First, your statement is correct. Think about the CareAllies as specifically focused on the MA portion of value-based care. So therefore, there's alignment there. Stepping back, on value-based care, we have a long history and, again, proven track record of delivering very strong positive results for the benefit of our clients and our customers and patients off of our value-based care orientation for Commercial, for Individual Exchange, as well as for Medicare Advantage. As you know from our prior conversations, that's been a partner and enabled model as opposed to an owned model, broadly speaking, in terms of owning the care delivery versus partnering enabling.

Additionally, I'd ask you to think about the commitment around that continuing. So our collaborative accountable care relationships for our Commercial business and our exchange business continues on. And our investment in and expansion of our Evernorth accountable care capabilities as we support health care delivery system partners around their value-based care, that continues, including our strategic partnership with Village. So on the value-based care side of the equation, no change in strategy for us. This specific subset of our assets was solely aligned to the Medicare Advantage business.

I'll ask Eric to talk about the direction relative to PDP and our multidimensional services relationship there. Eric?

Eric Paul Palmer - *The Cigna Group - Executive VP for Enterprise Strategy, Evernorth Health Services, CEO, President & Director*

Thanks, David. So 2 things I would note for you, Josh, here. First of all, as David and Brian had in their prepared remarks, we will have a multiyear services relationship between Evernorth and HCSC, building on a relationship that already exists there. So Evernorth will have the opportunity to continue to provide services associated not only with the prescription drug element of this business, but some of the other clinical coordination and related capabilities. So we're excited about that opportunity and working to grow together.

Specifically to the employer PDP item, you should think of here Express Scripts continuing to be the face of the employer offerings, and this being seamless with the -- with all of our clients and services with the role that will be played here around the insurance dynamics going to HCSC. But again, this'll be a side of relationships that Express Scripts and Evernorth will continue to manage from a relationship and account management perspective, and we'll be -- continue to be very involved in an area of focus for us. So overall, I'm very excited about the opportunity to continue to grow with another partner here.

Operator

Our next question comes from Scott Fidel with Stephens.

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

Interested just now, with the sale of the MA business, how your priorities for investment and for growth in Cigna Healthcare may change from that. And obviously, you talked about how you've invested a lot in Medicare, so that should free up capital to invest in other businesses. So curious in terms of how you're thinking about where you can increase investment for growth in Cigna Healthcare. But also just how you're thinking about the exchange business now against the exit from MA just around your overall risk business in Cigna Healthcare will now be probably more weighted towards HIX, which is a pretty volatile business. So curious just on you're thinking about the exchange business and sort of how you -- how now you're going to sort of view that business post the sale of the MA.

David Michael Cordani - *The Cigna Group - President, CEO & Chair of the Board*

Scott, it's David. I think your umbrella tenant is right. So as I noted in my prepared remarks, right, the decision allows for sharpening of focus as we lean into our portfolio going forward. As you think about the investments, though, we have a long track record of making multiyear investments within our portfolio. So think about investments in a digital-first orientation and data-led capabilities, continuing to invest in development of new programs and capabilities, be it what we talked about before with ClearCare or Pathwell capabilities; expanding the infrastructure and scale for a broader addressable market expansion; and our proven CuraScript SD expansion as we face off and support a broadening array of health care professionals and integrated delivery systems; and I mentioned to Josh, the Evernorth accountable care capability. So think about, broadly speaking, our investment strategy continuing to fuel a variety of items. And finally, sustained affordability, be it on the medical class pharmacy cost or administrative leverage that we get out of machine learning and AI through that lens.

As it relates to the question around Exchange or otherwise, we've always viewed the Exchange business as sitting between Commercial as well as the Government. Obviously, the Government influences a meaningful portion of that through the benefit design and otherwise, yet we are able to successfully leverage our collaborative accountable care relationships. And as we've demonstrated now for about a decade, with the Exchange business, by taking a very targeted focus within that market from its inception in 2014 to today, we continue to see that as a complementary aspects to our business. We will take very targeted positions, market by market, so long as we have the right collaborative accountable care relationships in place and have it be a complementary part of our portfolio.

So I don't see the Exchange posture is changing as a result of this. And broadly speaking, I don't think the investment strategy and the corporation changes as a result of it. It does create more capacity though, as you articulated, to accelerate some of the categories I made reference to. Hope that helps, Scott.

Operator

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

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

was wondering if you could just give a little more color about the membership guidance for 2024 by product. I know you're repricing Exchanges. How is commercial going within Commercial, the subsegments? And then a little more color on the Medicare Advantage volume expectations as I guess that's in the guidance as well.

Brian C. Evanko - *The Cigna Group - Executive VP & CFO and President & CEO for Cigna Healthcare*

Kevin, it's Brian. So as it relates to the net decline we've projected in the 2024 Cigna Healthcare customers, you can think of the primary driver of this being the Individual Exchange business. As we discussed late last year, we took some needed pricing actions in certain geographies in the Individual Exchange portfolio, and this will result in net customer declines for this business in 2024.

Within the U.S. Commercial Employer business, we expect customer volumes to be up modestly. But you should think of this by subsegment being split a bit. So we expect to see a net decline in our National Accounts business, but this will be more than offset by the continued strong growth within our Select segment. And as a reminder, we continue to see opportunities for above-market growth in the Select segment, where our market share is still just 7%.

When you think about the MA customer volume specifically, as we approach the 2024 bid cycle, as we always do, we apply local-market, county-level approach relative to how we price and set benefits. And so for most geographies, this resulted in stable benefits. A few areas, we had some targeted pullbacks, just in light of the funding environment 2024. And what we saw was in some of our local geographies, there was some very aggressive competitor behavior, which resulted in less net growth than what we had originally expected for the Medicare Advantage business.

So taken all together, we would expect to see net customer volumes down slightly for year-end 2024 in comparison to year-end 2023 within the Medicare Advantage space, specifically. But when you put all these pieces together, we're pleased with the overall balance in the Cigna Healthcare business right now as we expect to see profit margins expand year-over-year, as I mentioned earlier, while we're serving a meaningful volume of customers that's grown markedly over the last 2 years.

REFINITIV

Operator

Our next question comes from Erin Wright with Morgan Stanley.

Erin Elizabeth Wilson Wright - *Morgan Stanley, Research Division - Equity Analyst*

On Evernorth, how are you thinking about the implications of cost-plus models and what that means at the PBM level and how does that influence your discussions with customers or just around your pharmacy network relationships? And just more broadly, just around transparency. And obviously, you talked about that in your prepared remarks in more transparent offerings at the PBM level. And how do you think those offerings are gaining or not gaining traction across your customer base?

Eric Paul Palmer - *The Cigna Group - Executive VP for Enterprise Strategy, Evernorth Health Services, CEO, President & Director*

Erin, it's Eric. First of all, just -- we would note fundamentally, we start with the portfolio and approach that's equipped to offer choice and flexibility in how we work to support our clients, and so that's the lens I ground back to.

We're always open to looking at new ways and approaches and such that drive increased affordability and meets the needs of our buyers. And I'm really proud of the range of different financing solutions we offer and the number of innovations that we've delivered in 2023 and already in 2024 in terms of the types of options that we bring to our clients. And in fact, as David mentioned, in the fourth quarter, we launched our ClearNetwork solution, which was a first of its kind. It's comprehensive and simple solution to providing a cost index-based pharmacy network. That solution is unique in that it provides access to all the drugs in pricing that's based off of independent externally created cost indices, kind of a simple margin that's shared between us and the dispensing pharmacy. So use that as an example. We had a lot of good conversations about that as a program and as an offering, but would note that the selling seasons for these types of things tend to be long in time. There's a long lead time in terms of implementation of such. So some good conversation with our clients on solutions like that.

Looking at other changes in the ecosystem. Overall, we'd note, our clients are demanding more for their health care dollars and are looking for ways to improve affordability overall and broadly are not interested in paying more for the same services that they receive today. We've got a wide variety of networks and solutions that exist already in the market and the flexibility to adapt and adjust the configuration of our networks to trade-off costs relative to the value and access profiles that exist. So overall, we've got good flexibility, good capabilities and modularity to be able to approach and line up our capabilities best with what our clients need.

Operator

Our next question comes from Justin Lake with Wolfe Research.

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

Wanted to ask a broader strategic question beyond MA. Most of your peers have set up their business models over the last 5 to 10 years to manage a significant amount of their internal healthcare spend, right, and drive additional profitability and revenue from those services businesses. So with the sale of MA, you're repricing your Exchanges, which makes sense, but you risk membership and the amount of medical costs you control, right, and are able to run through your services business just declines. How do you think about the value there, those individual synergies of controlling medical costs and being able to provide services there, the natural growth it provides each and every year versus having to go out into the market and win each and every piece of business of growth, which obviously you've done pretty well over the last few years but just the stability of kind of having that internal membership? And how should investors expect this to impact your capital deployment strategy going forward?

David Michael Cordani - *The Cigna Group - President, CEO & Chair of the Board*

Justin, it's David. There's a lot in your questions. Let me try to frame our thought process today and as we go forward.

First, to date, we have a very clear proven track record of delivering a total cost, total quality, including clinical quality and service quality solution, that resonates really well in the marketplace, whether it's in the benefit side of the equation or on the services side of the equation. And our results reinforce that.

Point two is we've successfully executed an approach that is, on the delivery and fulfilment, a mix of partner and owned. We continue to evolve our portfolio. But philosophically, we do not believe, have not, do not and continue to not believe that you have to own everything to be able to fulfil. As you might recall, if you reflect back on prior conversations within our portfolio at Investor Days, we framed actually the amount of services that Evernorth, for example, was fulfilling at a point in time for the Cigna Healthcare portfolio. And we frame the expansion opportunity, to the point of your question that existed in front of us, and we continue to expand those services. Our model though is also importantly not predicated on only having economic alignment for guaranteed cost. We're able to do it successfully for self-funded or shared-funding mechanism as well. So point two is we see the ability to continue to grow that over time with our Evernorth services portfolio.

Point three is as it relates to services to continue to invest in, we've been very clear that certain services we see additional step function opportunities to invest in and continue to grow. Most importantly, our proven scaled specialty capabilities, the rate of spending growth and clinical complexity around that is off the charts. We have a leadership position there that will continue to grow, and we will continue to be the market leader in that space through our assets. Secondly, the need statements around behavioral health in the most comprehensive way, the market expects now much more coordination of behavioral and physical health, and we will continue to expand services that we have within our leading capabilities. And third, just to stop at 3 for illustration, is the breadth of virtual services, the ability to connect and coordinate and expand services as we go forward.

So we agree with your point, I'll end with agreement with your point, of continuing to invest in our services capabilities to be able to support the right services, but we do not believe you have to own all aspects of the care delivery equation to be able to deliver that on a go-forward basis. So hopefully, that gives you a framing. As you might expect, we'll spend time on this at our Investor Day on the seventh because it's an important part of our strategy today and important part of our growth strategy going forward.

Operator

Our next question comes from Lance Wilkes with Bernstein.

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

Could you talk a little bit about, over in the Cigna Healthcare side of the business employer, how penetration rates are going with the Specialty products in self-insured and if there are any interesting trends as you go into '24 here as you look at the selling season in '25 with respect to that? And then as you've gone through the selling season, any changes in employer priorities? And then also just a quick clarification on, if you could just explain, there's a little drop in fees in the PBM. So that was just clarification. The other one's a real question.

Brian C. Evanko - *The Cigna Group - Executive VP & CFO and President & CEO for Cigna Healthcare*

Lance, it's Brian. I'll take the majority of your question. I think there's a number of different pieces in there.

As it relates to the Specialty products and the attachment, if you will, to the medical in the Cigna Healthcare book of business, as you know, it's been a long-standing part of the company's strategy because we see the value of clinical integration being much greater when we have multiple components of relationship with an employer. So that's been, for many years, part of the company strategy.

And important to bifurcate that by subsegment, certainly in the down market, we call the Select segment under 500. Most of those employers tend to buy the entirety of our offerings at once. So we have very high, to use your word, penetration rates in the under 500 and then comparatively lower when you get to the National Account space, where there tends to be a little bit more a la carte purchasing of the different services. So broadly speaking, I would say those patterns haven't changed too much over the last few years.

On your question on the selling season, in particular, and some of the employer preferences, the 2024 selling season is largely over with the exception of the Select segment. As I mentioned earlier, that's an area for us that continues to grow at above market rates and we're really pleased with. As we look forward to the '25 selling season, we do have some National Account RFPs in-house for both some existing clients and new business prospects. And directionally, RFP volumes are up a bit from prior years. Now each of these large clients, as you can appreciate, tend to have unique needs.

That said, there are a few areas that I would highlight for purposes of kind of themes. So one would be some of our larger employers are seeking to consolidate vendors or point solutions with those who can supply more integrated offerings. So we tend to call that point solution fatigue, you may hear Eric or I talk about. Secondly, a theme that's been around mental health and substance abuse benefits as these programs have become more and more important to employers from the standpoint of managing productivity, absences and overall health of their employee base. And thirdly, many of the larger employers are interested in digitally enabled care navigation capabilities to further power things like site of care optimization and consumer empowerment at the time that, that care is delivered.

So we continue to see interest in those areas as well as various provider network configurations that may optimize cost quality and/or incentive alignment between the provider and the financier. So our Cigna Healthcare offerings are really well positioned to address these themes and the demands from large employers while simultaneously continue to grow share in the under 500 Select segment.

I think David wants to add a few comments here.

David Michael Cordani - *The Cigna Group - President, CEO & Chair of the Board*

Sure. Lance, just to amplify and add one point. The amplification is that point solution fatigue that plays through in terms of opportunities for our Evernorth team as well as our Cigna Healthcare team. So the -- around that, think about the ability to leverage solutions to get more value, better service, better clinical outcomes, overall value and affordability.

Secondly, I just wanted to reinforce a critical point. When we think about penetration or cross-selling, sometimes it's thought through -- and you didn't state this, but sometimes it's thought through under the notion of you're just cross-selling products. The integration of the products to deliver more value to the clients and customers is mission-critical. So that shows up in better service quality, better clinical quality, improved affordability. And I would highlight that our sustained differentiated MLR performance is, in many cases, aided by our proven ability to integrate certain services. They come together, would benefit the clients -- that enables us to generate a high level of cross-selling and a high level of penetration. Thanks, Lance.

Operator

Our next question comes from Gary Taylor with TD Cowen.

Gary Paul Taylor - *TD Cowen, Research Division - MD & Senior Equity Research Analyst*

David, I was hoping to ask an action-packed question like A.J. did, but I'm afraid I'm going to be to in the weeds for that. I just want to go back to Stop Loss because it looks like a pretty substantial benefit to the 4Q and headwind. When I just look at how much your fourth quarter MLR outperformed your typical seasonal pattern, particularly in a quarter where there was broad trend acceleration, and then I try to square how much ACA enrollment and margin improvement should drive a tailwind, such that '24 MLRs should actually decline year-over-year, but you're guiding it up. I mean, it gets me to hundreds and hundreds of basis points of variance around Stop Loss. So could you quantify how much that helped 4Q and how much a headwind that is for '24? And then the second part would just be walk us through again why you had such favorable performance in that line.

Brian C. Evanko - *The Cigna Group - Executive VP & CFO and President & CEO for Cigna Healthcare*

Gary, it's Brian. So as it relates to the Stop Loss book, as you know, this is a really important part of the Cigna Healthcare portfolio. And we finished 2023 with $6 billion of premium in that product line, which, to the earlier question Lance asked, attaches itself to our self-funded offerings in many instances. This book will naturally have some variability to it. So I wouldn't get overly fixated on one quarter's performance. There tends to be a little bit more settlement activity that transpires in the fourth quarter. So we had a little bit more of the favorability work its way through in the quarter. Whereas if you smooth out over the course of the year, you don't have quite the same dynamic which is one of the reasons why when you do the bridge from '23 to '24, you shouldn't run rate the fourth quarter experience from that standpoint.

So I mentioned earlier some of the moving pieces in the year-over-year MCR reconciliation, the 90 basis points increase from where we landed at the end of '23 to the midpoint of the '24 guide. A key component of that 90 basis points is an uptick that were anticipated in the Stop Loss product MCRs, which, to the point earlier, is a function of our assumption that, that will normalize back to more traditional levels of profitability on the Stop Loss products. So I think that's broadly the way I would encourage you to think about the dynamics at play here with that product line.

Operator

Our last question comes from Dave Windley with Jefferies.

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

The premise of my question here is that your Evernorth profit guidance for '24 looks pretty highly visible to us. So my questions underneath that are, one, that you had guided '23 to include a ramping contribution from biosimilar. How should we expect that to continue? Should that continue to ramp in magnitude? And then the second part was the significant onboarding costs for the Centene contract in '23. Are you fully past those? Are those completely gone? Brian, you mentioned some Evernorth onboarding -- maybe unrelated, but Evernorth onboarding in your remarks. I just wanted to kind of understand the relative size of those. So those 2 things, please.

David Michael Cordani - *The Cigna Group - President, CEO & Chair of the Board*

It's David. Let me ask Brian to give you a framing in terms of -- because you have a question relative to the trajectory in the year-over-year and then ask Brian to hand it across to Eric to give you a little bit more color of your question, the onboarding costs that were really intense during 2023 and then some of what we're calling onboarding costs that bleeds into the early part of 2024, give you a little color of what those services look like. But I'll ask Brian to frame the financials first.

Brian C. Evanko - *The Cigna Group - Executive VP & CFO and President & CEO for Cigna Healthcare*

Yes. Thanks, David. Dave, so overall, our AOI growth in Evernorth is expected to be about 9%, as implied by the $7 billion or more of income that we expect in the year. And you can think of that as having the benefit of Centene-related costs now essentially normalizing back to a point where the profitability of that relationship will be in the range of breakeven.

And then on top of that, we will have income performance. That's more in line with our traditional algorithm of 5% to 7% average annual income growth. And that reflects the benefit of all the multiyear trends that Eric talked about earlier, whether those be biosimilars, GLP-1 drugs, specialty generics, et cetera. So we certainly are seeing continued benefit from the biosimilar wave in 2024. But as I mentioned earlier, there's a bit of a specific and unique effect of the large amount of additional volume we're getting with the new client relationships in 2024.

So Eric, maybe you can expand on that dynamic a bit.

Eric Paul Palmer - *The Cigna Group - Executive VP for Enterprise Strategy, Evernorth Health Services, CEO, President & Director*

Great. Thanks, Brian. So with Centene, first, I would just start by actually noting how proud I am of how our team has delivered here and how we worked collaboratively across and with the Centene team. It's really been a great effort and one that's come together really nicely for the benefit of our now shared customers. Implementation has gone really well, and our first month has been quite successful.

Now consistent with what we've said before, as Brian just noted, in 2023, we had meaningful implementation spending and no associated revenue, generated loss. 2024 we will have results that will be approximately breakeven. In 2025, we'd expect to achieve our run rate margin for this contract, which will be lower than the overall book of business.

With respect to the in-year 2024 timing that Brian alluded to before, you should just think about this, there's a lot more activity that has to happen at the beginning of a contract like this. There's more client outreach. There's work to get individuals into their therapies, et cetera. So there's normal effect here of just additional work and activity that has to take place in the first part of the year, and our expenses will reflect that. So that's a bit of that in-year shaping, but it's all consistent with what we had shared before.

The final thing I'd note is, consistent with our kind of normal practice now that Centene is a live client of ours, we won't be commenting going forward on specific profitability of a specific client or things along those lines, but know that the trajectory here, start -- is off to the same start we expected and consistent with what we had talked about previously.

Operator

Thank you. I will now turn the call back over to David Cordani for closing remarks.

David Michael Cordani - *The Cigna Group - President, CEO & Chair of the Board*

Thanks. Just a couple of messages to reiterate. First and foremost, 2023 was clearly a strong year of performance across our company as we executed quite well. And it's reinforced by more than a decade where we've executed consistently as we've evolved our company and continue to grow our business portfolio and those we serve. We have confidence that we're going to sustain that momentum and leverage our well-balanced portfolio across our franchise and continue to deliver within our 10% to 13% long-term EPS growth range as well as pay an attractive dividend.

Finally, I want to thank my coworkers around the world for their continued disciplined execution, their passion, importantly, in their caring orientation as well as dedication for those we serve. It shows up in our results. I'm really pleased and proud of what we delivered in 2023. And importantly, I'm even more excited for our expansion of our reach and impact in 2024.

As a final note for you all, we look forward to seeing many of you at our Investor Day, which is a month away. So in early March, we look forward to seeing you in New York City, and our team will be excited to talk about the market expansion we see in front of us, our capabilities and our opportunity to create additional value on a go-forward basis.

Have a great day. Thanks.

Operator

Ladies and gentlemen, this concludes The Cigna Group's Fourth Quarter 2023 Results Review. Cigna Investor Relations will be available to respond to additional questions shortly. A recording of this conference will be available for 10 business days following this call. You may access the recorded conference by dialing (800) 839-9317 or 203-369-3605. There is no passcode required for this replay.

Thank you for participating. We will now disconnect.