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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by for The Cigna Group's first-quarter 2025 results preview. (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 Vice President, Investor Relations

Great. Thank you, 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, President and Chief Operating Officer; and Ann Dennison, Chief Financial Officer.

In our remarks today, David, Brian, and Ann will cover a number of topics, including our first quarter 2025 financial results and our financial outlook for 2025. Following their prepared remarks, David, Brian, and Ann 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](https://www.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 will be making some forward-looking statements, including statements regarding our outlook for 2025 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.

Regarding our results in the first quarter, we recorded net after-tax special item charges of \$229 million or \$0.84 per share. This included an after-tax special item charge of \$163 million or \$0.63 per share related to a strategic optimization program to further leverage the company's ongoing operational efficiency initiatives.

Additional details of the special items are included in our quarterly financial supplement. Additionally, please note that when we make prospective comments regarding financial performance, including our full year 2025 outlook, we will do so on a basis that includes the potential impact of future share repurchases and anticipated 2025 dividends. With that, I'll turn the call over to David.

David Cordani - *The Cigna Group - Chairman of the Board, Chief Executive Officer*

Thanks Ralph. Good morning, everyone, and thank you for joining today's call. We begin 2025 with momentum, and I'm pleased to report that in the first quarter, The Cigna Group posted strong results while we continue to focus on delivering on our commitments to build a better, more sustainable health care model.

Joining me on the call is Brian Evanko, our President and Chief Operating Officer, and I also want to welcome Ann Dennison, our Chief Financial Officer. As you likely saw, Brian and Ann were named to these new roles in March.

With the announcement, we'll be following a new format for our call this morning. I'll share some brief comments and focus on our performance and how we're leading to address all the stakeholder needs. Then Brian will discuss the key business drivers fueling our growth, and Ann will provide more detail on our financial results, and then we'll take your questions.

To start today, I'm pleased to report that we delivered \$65.5 billion in total revenue, and we grew adjusted earnings per share to \$6.74 this quarter. And we are also raising our full-year EPS guidance estimate to at least \$29.60.

We delivered this performance in a dynamic environment with forces of change going beyond tariffs and trade, significant geopolitical and evolving social impacts. At The Cigna Group, our market-leading capabilities and flexible model have fueled our consistent track record of delivering differentiated value, innovating, and smartly expanding our addressable markets, driving sustained long-term growth even in the most disruptive environments.

Whether measured over the last 3, 5 or 10 years, we've performed and delivered on our EPS growth algorithm. We've been able to deliver these competitively attractive results through a relentless approach to position our company to lead through the forces of change in health care.

We all know the health care system is on an unsustainable trajectory. Annual US health care expenditures now exceed \$4.5 trillion, and society's growing needs are overwhelming the current system, which remains primarily oriented to providing interventions after someone becomes ill.

All of these dynamics, particularly when matched against the current economic, geopolitical, and social environment, are driving strong demand for strategic partners that could help individuals, employers, governmental agencies, health plans, and integrated health care delivery systems to achieve both their short- and long-term goals.

The engines for converting these opportunities into differentiated results are our two growth platforms. Evernorth, our health services portfolio, and Cigna Healthcare, our integrated benefits portfolio. Together, the businesses across these platforms are leveraging the breadth of our core strengths and the power of our capabilities to create and capture more value than any one business could achieve alone.

Importantly, we also continue to shape our portfolio with strategic acquisitions, partnerships and divestitures. The recently completed sale of our Medicare businesses to HCSC this past quarter is the most recent example that demonstrates our disciplined execution of our capital management strategy.

Now while we've long been on the path to evolve and drive continuous improvement as we stepped into 2025, the forces of change in health care further strengthened our urgency and resolve and in part fueled customer-focused commitments and series of actions we announced earlier this year to address some of the most pressing challenges in health care in five key areas.

First, access. We are addressing the challenges customers and patients face in getting care and making our processes simpler and faster. Second is support. Helping our customers and patients with enhanced resources to navigate the health care system with greater ease and peace of mind.

Next is value, working to further lower cost for our customers and patients.

Fourth is accountability. Our promise to stand behind our commitments, specifically by tying our leadership compensation to improving customer and patient satisfaction.

And finally, transparency. We will publicly share our progress and improvements to serve our customers and patients as we go forward. These actions represent yet another significant commitment from The Cigna Group to build a better future, and I'm pleased we are already making good progress.

Now to wrap up my comments. Against the backdrop that is dynamic and challenging, we are well positioned for a strong 2025. Our first quarter results underscore the momentum we're building and our resilience as we continue to drive growth and invest for the long term. And we are confident in our ability to sustainably deliver 10% to 14% compounded EPS growth over the strategic horizon, along with providing an attractive dividend.

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

Brian Evanko - *The Cigna Group - President, Chief Operating Officer*

Thank you, David. Before getting into our business performance, I'd like to share a few thoughts on the new roles that were announced in March for Ann and myself. I'm humbled and grateful to be named as President and COO of The Cigna Group.

My new team's primary focus will be on driving profitable growth for the company, while making health care better for our primary stakeholders, most notably customers, patients, clients, and health care professional partners. I'm also thrilled to pass the reins of our finance function over to Ann, who is an accomplished and strategic financial leader.

Over the past several weeks, as I've transitioned to the new role, I have spent meaningful time meeting with a number of our clients and partners and some key insights were reinforced through these engagements. First, our clients and partners consistently point to the attractive breadth and depth of our services and expertise across our Evernorth Health Services and Cigna Healthcare portfolio to solve their most pressing health care needs.

For example, in Evernorth Specialty and Care Services businesses, representing about 30% of the company's income today, we have unique capabilities in this fast-growing sector that others can't match. Last year, we delivered more than 8 million prescriptions to over 1 million patients through our owned operational assets and capabilities, including safely mixing and preparing medications in sterile environments that take years to build and fully license.

This business represents one of the company's top growth opportunities going forward in a space with high secular growth rates. Specialty drugs are clinically intensive, serving a relatively small number of patients who rely on them. Our patients clearly value the experience enabled by our

clinicians, pharmacists, and nurses, both in their home and over the phone. As we see 97% patient satisfaction rates on interactions with our Accredo nurses.

In Express Scripts, our Pharmacy Benefit Services business, which also represents about 30% of the company's income, we are working tirelessly to lower prescription drug prices for more than 100 million Americans, and we saved about \$38 billion for our clients last year.

Unlike our lower-volume clinically-intensive specialty pharmacy business, our PBS business features much higher prescription volumes, including low-cost generics alongside the lower prices we negotiate for high list price branded drugs.

For example, we will process over 2 billion prescriptions in Express Scripts this year with around 90% of these being cost-effective generics. And finally, in Cigna Healthcare, where we generate about 40% of The Cigna Group's income, my recent engagements with some of our US employer clients have underscored the value of our consultative client partnership model.

This has been further advanced by improving customer outcomes through better unit costs, site of care optimization and personalized clinical programs. And we continue to generate net growth rates that are well above the market in our under 500 Select segment, where we have now reached more than 3 million customers.

Finally, I'm proud of the way all of my colleagues at The Cigna Group care deeply about those we serve. Our clients and partners appreciate the expertise of our team and the passion that they bring to our work to improve health care for all. As I look to the future, I'm very excited about the growth opportunities we see across our businesses, while we remain focused on building a more sustainable model for health care.

Now let me turn to the quarter in our business performance. Evernorth earnings were in line with expectations and revenues grew by double digits, led by our strong pharmacy benefit services and specialty pharmacy capabilities. Within Cigna Healthcare, we achieved strong revenue performance across our US employer and international health businesses, driven by growth in our Select segment customers and strong rate execution.

We are also confident in our action plan to improve margins on our stop loss products, and we are pleased to see that the early indicators on 2025 stop loss performance are tracking to expectations. Let me unpack these headlines more fully. Evernorth Specialty and Care Services businesses drove very strong growth in the first quarter with double-digit growth rates in both revenue and normalized earnings. And this space continues to represent one of the fastest-growing sectors in the industry.

The specialty pharmacy market continues to grow at an attractive pace -- as new specialty drugs are introduced, existing medications are authorized for expanded indications and biosimilars become more prevalent. We are pleased with the further increased adoption of our interchangeable HUMIRA biosimilar. And this month, we are taking another step forward with an interchangeable STELARA biosimilar, which will also be available to eligible patients for \$0 out of pocket.

Turning to our Pharmacy Benefit Services business. We drove attractive revenue growth of 14%, while balancing the need to continue investments for the long term. And while it's early into the 2026 selling season, we continue to see strong demand among existing and new clients. And we further increased investments in the pharmacy benefits business to drive even greater transparency and savings and to make the health care system work better for customers and patients.

We will soon be announcing enhancements to the patient experience with new flexible and personalized digital tools and capabilities. In Cigna Healthcare, our earnings exceeded expectations in the quarter, along with 9% revenue growth, powered by strong rate execution. We generated strong growth in our under 500 Select segment with customers growing 9% year-over-year, well above industry growth.

And we continue to see further headroom for future customer growth given our market share is just 7% in this segment. And as David mentioned, we are laser-focused on the actions we announced earlier this year to improve the customer experience within Cigna Healthcare. The response to our proactive commitments has been very positive, with stakeholders appreciating the associated transparency and accountability.

To bring it all together, I'd like to share one specific example of how we continue to lead through the rapidly changing environment, with new innovations, leveraging our differentiated capabilities. The GLP-1 drug class is on pace to be the number one drug trend driver for plans this year. In fact, for the average employer who provides access to GLP-1s for weight management, GLP-1s now represent about 3% of their total health care costs.

And GLP-1s are now being prescribed beyond their original application for diabetes to include use for obesity and weight management and more recently for sleep apnea, with additional indications on the horizon. These treatments have been called once in a generation, and we all know they're changing lives and changing health care. By 2030, we expect the market size to exceed \$100 billion in the US alone. And 1 in 10 Americans is expected to be on a GLP-1 medication.

But the challenge of affordability, access and clinical coordination for GLP-1s in the US remains. Clients are looking for ways to manage the high cost of these medicines while ensuring appropriate use and patients want to access these medications at an affordable price point and have a positive experience with the clinical support they need to achieve durable and impactful results.

Our EncircleRx solution provides a clinical program wrapper around the medication to help support sustainable and positive lifestyle changes for patients as well as improve affordability and access for clients. EncircleRx now has approximately 9 million members enrolled.

Now we're building on that success with the launch of additional innovations around GLP-1 access and affordability including our new EnReachRx solution, a high-touch patient support clinical model enabled by pharmacies committed to enhance clinical care for dispensing GLP-1 medicines.

We also will offer a new specialized GLP-1 pharmacy called EnGuide, which will go live for patients and clients next month. The combination of our pharmacy solutions further strengthens our position as a leader and innovator in this space by solving pharmacy, client and patient challenges.

As I wrap up my remarks, I'd like to reiterate a few points. We had a strong start to the year across both Evernorth and Cigna Healthcare. Some of the notable headlines from the quarter's performance include favorable MCR performance in Cigna Healthcare, leading to better-than-expected earnings. Strong growth in Cigna Healthcare Select segment customers, up 9% year-over-year.

Within Evernorth, we posted double-digit percentage growth in both revenue and normalized earnings within our high-growth specialty and care services operating segment and we had a strong start to the year in our pharmacy benefit services business, including double-digit revenue growth.

We delivered these strong results alongside making strategic investments for the longer term, including the customer provider-facing enhancements we committed to earlier this year. I'm excited by the numerous growth opportunities we have in the future and the enhancements we are making in order to improve the health care system for all.

Now I'll turn it over to Ann to cover our financial performance and outlook in more detail.

Ann Dennison - *The Cigna Group - Executive Vice President, Chief Financial Officer*

Thank you, Brian, and good morning, everyone. I'm excited to join you for my first earnings call as the CFO of The Cigna Group. Since joining over a year ago, I have been inspired by the dedication and talent of our employees, which gives me confidence in our ability to deliver value for our patients and customers and to achieve attractive long-term growth. I look forward to engaging with many of you over the coming months.

As Brian mentioned, we started the year with a strong first-quarter performance ahead of expectations. Key consolidated financial highlights for the first quarter include revenue of \$65.5 billion and adjusted earnings per share of \$6.74.

With the first quarter results, we are raising our full year 2025 adjusted earnings per share outlook to at least \$29.60. This outlook reflects confidence in our businesses while maintaining a prudent view of the current environment.

Now turning to our segment results. I will first comment on Evernorth. Evernorth continues to deliver strong results. First quarter 2025 revenues grew to \$53.7 billion, while pretax adjusted earnings grew 5% to \$1.4 billion, in line with expectations.

Specialty and Care services showed strong growth with revenue up 19% to \$23.9 billion. Normalizing for the impact of lower net investment income due to the absence of the VillageMD dividend, pretax adjusted earnings were up 11% year-over-year. This performance reflects the continued demand for specialty drugs as well as increased adoption of biosimilars.

Pharmacy Benefit Services also posted solid growth, reflecting strong client retention expansion of existing relationships and new business wins. Pretax adjusted earnings were up 4% to \$544 million as our innovative capabilities continue to drive value and savings for our patients, customers, and clients.

Overall, we're pleased with Evernorth's first quarter results and confident about the long-term growth outlook for the underlying businesses.

Turning to Cigna Healthcare. First quarter 2025 revenues were \$14.5 billion, and pretax adjusted earnings were \$1.3 billion. The medical care ratio for the first quarter was 82.2%. On March 19, we completed the divestiture of our Medicare businesses to HCSC. This transaction closed about a month later than our financial planning assumptions. The timing of the closing modestly benefited our first-quarter earnings but had a greater impact on our medical care ratio as the Medicare businesses operate at a higher MCR compared to the rest of our portfolio.

An additional month equates to an increase of approximately 100 basis points to our MCR in the first quarter, which is included in our reported results. Excluding the impact of the later timing of the Medicare divestiture, the fundamental Cigna Healthcare adjusted earnings in MCR were both favorable to expectations.

As previously noted, we anticipated medical cost trends in 2025 to remain elevated. Year-to-date, we have observed elevated trends consistent with our expectations in most categories, with some favorability in surgical activity and OB services.

And finally, our stop loss performance is tracking in line with expectations, and we continue to assume an elevated full year MCR for this business, consistent with our commentary on the fourth quarter earnings call. Overall, Cigna Healthcare delivered strong results in a dynamic operating environment.

Before I comment on our 2025 outlook, as Ralph mentioned, in the first quarter, we initiated a strategic optimization program to further advance the company's ongoing efficiency initiatives. These actions will continue to leverage our scale, technology, and innovation to position us for sustainable long-term growth.

Now turning to our outlook for the full year 2025. We are increasing our full year 2025 expectation for consolidated adjusted income from operations to at least \$29.60 per share. This increase is primarily attributed to the incremental earnings contribution from our Medicare businesses, largely reflecting later timing of the divestiture.

Regarding the cadence of earnings, we expect the second quarter adjusted earnings per share to be slightly below 25% of the full-year outlook.

Now turning to our 2025 outlook for each of our growth platforms. In Evernorth, we continue to expect full year 2025 pretax adjusted earnings of at least \$7.2 billion, and we expect Evernorth's second quarter pretax adjusted earnings seasonality to be similar to 2024.

For Cigna Healthcare, we are increasing our full year 2025 pretax adjusted earnings outlook by \$25 million to at least \$4.125 billion. We expect the second quarter Cigna Healthcare adjusted earnings to be slightly above 25% of the full year outlook. We continue to expect the full year medical care ratio within the range of 83.2% to 84.2%. Additionally, we expect our second quarter medical care ratio to be towards the low end of the full year range.

Turning to our 2025 capital management position. Our debt-to-capitalization ratio was 43.1% as of March 31. We expect this ratio to be lower at year-end as we balance our capital management strategy, including debt pay down as we move through the year.

As of May 1, we have repurchased 8.2 million shares of common stock for approximately \$2.6 billion. And we remain confident in our strong balance sheet and cash flow generation and we will continue our disciplined capital management approach to drive sustainable long-term growth.

Now to recap. Our first quarter 2025 results reflect strong contributions and disciplined execution from both Evernorth and Cigna Healthcare. Our 2025 outlook reflects the sustained momentum and solid fundamentals of our growth platforms, which gives us confidence to increase our full year 2025 adjusted earnings outlook to at least \$29.60 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) Lisa Gill, JPMorgan.

Lisa Gill - *JPMorgan Chase & Co. - Analyst*

I wanted to start first with weight loss. We saw a competitor yesterday signed a deal with Novo. I'm just curious around what you're seeing on the opportunity to be able to negotiate a better price with either of the large GLP-1 players in the marketplace?

And then two, you talked about 9 million people enrolled in the program, but can you talk about general coverage from an employer or ASO perspective, is there a big opportunity if we start to see materially better pricing?

And then just lastly, David, I have to sneak this one in here. I just really would love to hear your thoughts on Arkansas and the legislation. And I believe you have a large pharmacy benefit relationship with one of the large employers in that state. So if you could give some color around that as well.

David Cordani - *The Cigna Group - Chairman of the Board, Chief Executive Officer*

It's David. You sure packed a lot in there. So let me ask Brian to take the first tranche of your questions, which all focus around the GLP-1 space and talk about what we're seeing in the market. You asked questions around what's happening with coverage, but more specifically, what's happening with innovation in the marketplace, both in terms of the access and the affordability, then I'll come back on the Arkansas bill. Brian?

Brian Evanko - *The Cigna Group - President, Chief Operating Officer*

Thanks, David, and Lisa too. I'll step back and take a look at the GLP-1 space and our position, we're really proud of the comprehensive approach that we're taking towards this market. So that's represented by the combined suite of GLP-1 programs that I referenced in my earlier comments, specifically around EncircleRx and EnReachRx and EnGuide. And we developed these programs really in response to some of the clear needs that were emerging around the market. So most notably, access, affordability, clinical safety and longer-term lifestyle changes.

We don't necessarily see formulary replacement or choosing one drug over another in this class as being sufficient to generate the societal impact that these drugs can have. And it's important to keep in mind that we have multiple formularies, multiple network options available across our Evernorth platform today. And some of these solutions are narrower in nature, some of them are broader.

Now as it relates to specific drugs or manufacturers that we partner with, there are some principles that tend to guide us whether for GLP-1s or for other drugs. So one principle is that competition tends to improve affordability over time. So that competition can occur between manufacturers on a specific type of drug or between injectable versions and tablet versions.

All those dynamics are a good thing over time. It allows us to negotiate lower net cost which benefits both clients and patients. Another principle is that choice is good, all else equal. And a final principle is to ensure that a resilient supply chain exists, such that there's adequate supply of any drug class. So these principles apply across most drug classes but are particularly important for GLP-1s.

And we have a proven track record of being able to dynamically manage against this changing prescription drug landscape. So again, we're really proud of our comprehensive approach to the GLP-1 market and the solutions that we've introduced that address access affordability, clinical safety and longer-term lifestyle changes.

In terms of coverage levels, what we're seeing in our Evernorth book of business is just north of 50% of our employers provide coverage for weight management. That's relatively stable from where it was in 2024.

In our Cigna Healthcare book of business, the percentage covering for weight management is lower. We're in the 15% to 20% range, and that's because we have a smaller average employer in our Cigna Healthcare book of business. and that percentage is also relatively stable from 2024 to 2025.

So as net pricing comes down in this class, it should increase the percentage of employers who are interested in providing this benefit for their employees and their dependents.

David, do you want to pick up on the last part of Lisa's question?

David Cordani - *The Cigna Group - Chairman of the Board, Chief Executive Officer*

Sure. And again, before I pivot over to Arkansas, just amplify two pieces. Lisa, first, as I think you very well know, back to coverage, that's part of your question, in the United States, Brian referenced the coverage levels. Broadly speaking, OECD countries outside the US do not cover GLP-1s for weight management.

So our country is in a different posture and hence as employers at that stable coverage level are increasingly looking for more value out of the coverage, including continuity of care as there's a lot of fracturing in terms of use of the medication starts and stops and starts and stops. So I just wanted to amplify that. Back to the Arkansas bill. First, context wise for Arkansas. Arkansas for the broad Cigna Group portfolio is a smaller market for us. Now specific to the bill, two points before we get to the Arkansas bill. As an organization we have and will continue to operate in an active legislative regulatory environment. That's something we have a long track record of demonstrated engagement and participation and then evolving our business portfolio.

Second, in that environment, we aggressively support evolution of both legislation and regulation around, for example, transparency for transparency that's actionable, improving value and affordability and importantly, maintaining or expanding choice versus constricting choice.

Specific to the Arkansas bill, we see it broadly speaking in opposition of these goals, where the posture of the bill picks and chooses winners in the state, uses inappropriately from our point of view, licensure capabilities to limit choice, commerce and free market and the result of which, importantly, is going to be a decrease in access, a reduction in choice, an erosion in quality and continuity of care and ultimately increase in cost for citizens. So we oppose both the construct and the intent of the bill. Having said that, I'd reinforce that Arkansas is a relatively small market for The Cigna Group.

Lisa, thank you for your question.

Operator

A.J. Rice, UBS.

A.J. Rice - UBS - Analyst

Thanks for the comments about GLP-1s. I wonder if I could broaden it out a little bit. Obviously, there's a little bit more of an unsettled economic environment. I guess there's always some variability every time this year.

But as you start to have discussions, obviously, you're well into the PBM selling season and you're gearing up to talk about benefit design with your commercial clients and the broader health care coverage, what are you seeing in terms of where they're focused and things that they're asking you about?

And I wondered in an unsettled in the economic environment, does that tend to drive more of that Select market toward your product? Or does it make them pause on making a change like that?

Brian Evanko - The Cigna Group - President, Chief Operating Officer

A.J., it's Brian. I'll take the question about the selling season, and then I'll try to address your point about the smaller employers and some of the uncertainty in the economic environment right now. So maybe I'll start with the net results that we're expecting at this point in time for 2026. And then I'll unpack some of the market dynamics underneath.

So within our Express Scripts Pharmacy Benefit Services business, we're currently tracking towards mid-90s or better retention. And that's a strong retention level consistent with what we've seen in prior years. Within The Cigna Healthcare portfolio, still pretty early in the season for smaller employers, but we do have some good insights on the larger end of the market, specifically our national accounts business.

And here, we continue to view this market segment as one that will be a flat to shrinking market overall. Over time, and our strategy in the national account space is to maintain our current share.

And at this point, we're not seeing anything unique for 2026 that would cause us to deviate from that general pattern. So maybe I'll spend just a minute or two on some of the dynamics transpiring in the selling season to your question.

So I'd characterize this as an active season, both as we compete for potential 2026 new business, but also amongst our existing client base who are exploring the market. So in terms of some common themes, a few things I'd highlight, as we've discussed in prior calls, affordability continues to be a key area of focus for employers, particularly with the higher cost trend environment that we're experiencing.

Now this is driven in part by the wave of drug innovation including specialty drugs and GLP-1s, along with continued growth in mental health spending. Now fortunately, the significant strides we've taken in improving our own unit cost position in the Cigna Healthcare business has positioned us well to compete effectively on the unit cost dimension. And you can see that manifesting itself in the strong growth that we're posting in the under 500 Select segment.

And of course, in the Express Scripts Pharmacy Benefit Services business, we continue to drive superior net cost outcomes for our clients, which allows us to retain and win not only employer but also health plan and government clients in this business.

And as we look at the composition of cost for an average employer, about 20% of the average employer health care spend is now in specialty when you combine what's covered under the prescription and the medical benefits. And our Accredo Specialty Pharmacy Business is very well positioned to address this need and to deliver strong cost and clinical outcomes.

And finally, we continue to see interest in more precise and personalized solutions, both in the form of network configurations as well as clinical programs. So some of our solutions to address this need on the network side include the Pathwell Specialty offering as well as our Pathwell Bone and Joint program.

And on the clinical side, personalized programs are increasingly being demanded. And we're meeting that need with programs like the EnReach GLP-1 clinical support program that I described earlier.

And finally, while we don't really typically talk about our Accredo specialty pharmacy in the context of the selling season, our patient base within Accredo continues to grow through a combination of Accredo being added as a network option and other companies' PBMs. Growth in our Express Scripts business, which leads to more Accredo patients and more existing Cigna Healthcare patients being prescribed specialty drugs.

The second part of your question was more around the Select segment under 500, the strong growth we have posted year-to-date of 9% customer growth year-over-year. I would say our solutions broadly are attractive to those employers because we have a funding agnostic approach that we use in terms of how we go to market, meaning if a client wants a fully insured offering, we'll offer them to fully insured offering.

If they would prefer a self-funded or what we call level-funded where ASO with stop loss. That's also on the table for any employer that engages with us. So I think the consultative model has allowed us to be a net share taker in addition to the affordability improvements that we've made over time, independent of the economic environment, that go-to-market strategy has proven beneficial to us.

So I don't necessarily correlate the current economic uncertainty with the growth we've experienced, but we're pleased with the results we put up. Thanks for the question.

Operator

Justin Lake, Wolfe Research.

Justin Lake - Wolfe Research - Analyst

I wanted to follow up on the stop loss discussion. I was hoping you might be able to give us a little more detail in terms of what you're seeing in terms of cost trend in your commercial book, but specifically in the stop loss business relative to what you saw kind of pressure you in the fourth quarter?

And then any early kind of feedback from the customer community as you're starting to work on getting that book repriced for 2026? I know you're trying to target getting it fully back in terms of the margin that you lost last year, but you guide it to something a little bit less than that. Curious how you're seeing that kind of run through.

David Cordani - The Cigna Group - Chairman of the Board, Chief Executive Officer

Justin, good morning. It's David. Let me ask Brian to start with the marketplace. Our rate execution, continue working with our clients, et cetera. And Ann will pick up from the talk about the performance we saw in the first quarter to bridge a part of your -- latter part of your comment, our plan and expectations to recoup the margin through the '25 and '26 season.

So over the two-year horizon, profitable book of business, less profitable than it's historically been, we'll recoup throughout the course of this year, largely in the second half. and then recoup further in 2026.

Brian, can I ask you talk about the selling season and the clients' reactions?

Brian Evanko - *The Cigna Group - President, Chief Operating Officer*

Sure, David. Good morning. Justin. So the headline I'd ask you to take away is that we're tracking to the stop loss margin improvement plan that we outlined during the fourth quarter call. Now kind of stepping back from that, our stop loss offerings are an important part of our US Employer portfolio within Cigna Healthcare.

They work in complement with our other products and solutions for the employers who choose to employ a self-funding or ASO style relationship with us. And the stop loss products provide employers with budgetary protection against unexpected large claim activity or aggregate cost levels being unexpectedly high.

And all of the stop loss business that we write is through an integrated offering with the employer where we also administer their overall medical benefits, and we continue to see very strong market demand for these solutions. And we are the industry leader in this space.

Now as we noted in our fourth quarter call, we are working to improve the margin profile in this business over the course of the next two renewal cycles, as David indicated, and we're confident in our ability to deliver against this.

Now over the past few months, we've been able to make progress on this plan, specifically by incorporating the revised cost structure in our later 2025 client renewals, and we've been able to execute this while preserving our typical client retention levels. So overall, the year-to-date '25 performance is tracking to the expectations that we had outlined for you during the fourth quarter call.

Ann, I'll turn it over to you if you want to elaborate on what we're seeing in the first-quarter financials and the outlook specifically.

Ann Dennison - *The Cigna Group - Executive Vice President, Chief Financial Officer*

Sure. Thanks, Brian. So we'll start maybe first with trend utilization, what we're seeing more broadly. And then talk about stop loss, specifically how the first quarter has played out. So heading into 2025, we expected the trend to remain elevated. In the first quarter, trends remained elevated in most categories consistent with what we expected. So we continue to see elevation in the specialty and behavioral categories.

But as I mentioned in my prepared remarks, we did see some moderation in surgical activity and OB services. But given its early in the year, we've prudently maintained our MCR assumptions for the full year.

Now specifically for stop loss. As a reminder, we've assumed a higher stop loss MCR for this year versus last year, consistent with what we said coming out of the fourth quarter. stop loss is a cumulative product, and we are still very early in the year.

The first quarter stop loss MCR reflects our expectation for the full year. So thus far, things are tracking to expectations based on the early indicators that we're monitoring that measure the performance of the business. So taken all together, as Brian said, performance is in line with our expectations for the stop loss book.

Operator

Charles Rhyee, TD Cowen.

Charles Rhyee - *TD Cowen - Analyst*

Just wanted to follow up maybe on Arkansas for a second. What is the recourse for companies like Cigna and other companies that operate both PBMs and pharmacies in this case maybe mail order specialty pharmacy because I think, obviously, the bigger question is perceptions of potential conflicts of interest of having these kind of entities joined together, and obviously there's a lot of different proposals, both in Congress and across many states, trying to address this through things like greater transparency.

And I appreciate that you guys have been moving forward in trying to provide greater transparency, but what in your view are some of the more simple steps that could be done to maybe assuage some of these concerns about potential conflicts of interest that doesn't have to go all the way to what Arkansas has tried to do here? And then if I could just quickly add also if Quallent has launched biosimilar STELARA would be great. Thanks.

David Cordani - *The Cigna Group - Chairman of the Board, Chief Executive Officer*

Good morning, Charles, it's David. I'm going to give you a directional tone to your question because I'm not trying to give you the specifics you may be looking for.

First, as I mentioned to Lisa's question, we fundamentally think the bill is a flawed posture. The value creation is indisputable of what is being able to be delivered and supported and actually bridged your last comment and work my way back. If you think about the biosimilar success in terms of the interchangeable that we've been able to launch and bring to market for HUMIRA, that is enabled by the breadth of our portfolio and the breadth of our capabilities.

It's been able to harness those the result of which is significant savings for employers, health plans or government latency clients in \$0 out-of-pocket for a consumer. It's indisputable.

Secondly, as an example, the capabilities Brian walked through around our GLP-1 innovations, they are expressly enabled by harnessing the breadth of capabilities across our portfolio as opposed to dismantling those capabilities. So fundamentally, we disagree with the core tenant. Now to your point, what can be done?

Fact-based engagement relative to what the problem statement is how the marketplace works and how ongoing innovation is being brought to market. Second, further amplifying and activating clients' voice relative to maintaining choice as opposed to structurally removing choice. Third, as you articulated, and I highlighted in my prior comments, embracing transparency; transparency is something that the marketplace has and further leans into.

In fact, when we think about the pharmacy services space, you have the largest, most sophisticated buyers in the marketplace from Fortune 1,000 corporations to large diverse health plans through integrated health care delivery systems through governmental agencies themselves.

The last two comments I would make is continue to innovate -- continued innovation of our products, programs and services. And then finally, taking necessary steps from a regulatory or litigious standpoint, if we deem all else fails because we fundamentally disagree with this posture which again removes choice, arbitrarily picks winners and losers and erodes affordability, clinical quality and access for consumers.

I think on the back end, you were asking a little bit about what the status of the STELARA biosimilar is. So I'll turn it to Brian and ask just him just highlight rate and pace of that other, again, very exciting evolution of our portfolio.

Brian Evanko - *The Cigna Group - President, Chief Operating Officer*

Sure, David. Good morning, Charles. I don't think I have anything else to add on the Arkansas issue. But as it relates to STELARA biosimilar kind of stepping back from that, we're pleased to see the building momentum of biosimilars in the US, which really was powered forward by HUMIRA biosimilars becoming more prevalent.

And as a reminder, this is just the start of a multiyear wave that's coming here for US-based biosimilars. And beyond HUMIRA, we expect another \$100 billion of specialty drug spend to be subject to competition for biosimilars and generics by 2030, which represents a tremendous opportunity to reduce net costs for patients and clients.

As I mentioned earlier, we'll have a \$0 patient out-of-pocket biosimilar option available for STELARA starting this month, and that leverages the learnings that we had from the HUMIRA biosimilar that we launched last year.

Now importantly, each biosimilar will have different rates of adoption based upon factors such as interchangeability, dosage levels, branded alternatives and other dimensions. But that said, we do expect to see gradual growth in STELARA biosimilars over the balance of the year in our Evernorth outlook contemplates this, and we'd expect to further step up in 2026. Thanks for the question.

Operator

Ann Hynes, Mizuho Securities.

Ann Hynes - Mizuho Securities - Analyst

Just on the capital deployment front. I know you've said in the past that bolt-on M&A is your priority. Is that still the case? And on that front, is there any capability that you think you need either in the health insurance segment or Evernorth that you need to that you need to invest into organically or inorganically?

David Cordani - The Cigna Group - Chairman of the Board, Chief Executive Officer

It's David. There's two dimensions to your question. One is our capital deployment strategy and specifically within the M&A dimension that comes along with it. Specific to our capital deployment strategy, that remains consistent.

Priority one, support the ongoing growth of the business; priority two, prudent deployment of capital for CapEx and innovation; priority three, return excess capital to shareholders and/or pursue attractive M&A, which I'll come back to in a moment relative to those criteria. As it relates to our actions, as you see, we've been meaningfully returning excess capital to shareholders through repurchase as well as an attractive dividend that we just recently raised again.

Now specific to M&A, our priorities remain consistent. We look for opportunities that are strategically attractive assets. Second, assets that are financially attractive. So within that, we see durable synergies that would inure back to us as we would be able to execute. And then certainty in terms of being able to close the asset.

As an organization, we've been oriented around bolt-on acquisitions. We typically use that terminology with our size and scale to connote acquisitions up to single-digit billions of dollars. So that gives you an idea of size and scale. And we don't identify and we haven't highlighted any specific category or capability.

I think the last piece that may be inferred in your comment is do we believe we have to add on any capabilities. I would say relative to that, answer is no. We feel very good about our business portfolio and the positioning we've been quite deliberate to position our business portfolio.

And as we stand today, we have a high-performing modular services portfolio through Evernorth and we have a high-performing integrated benefits portfolio that addresses both US and non-US opportunities through Cigna Healthcare, and our track record is quite clear relative to its ongoing growth.

Final comment I would make is we've been quite deliberate in terms of ensuring that we're well positioned into a variety of addressable markets from the individual market through employers, health plans, governmental agencies and increasingly integrated delivery systems and multispecialty physician groups with our broad portfolio of services. So capital deployment strategy is consistent. M&A priority is consistent, focused on bolt-ons where they make strategic financial and clarity of closing. Thanks for your question.

Operator

Andrew Mok, Barclays.

Andrew Mok - Barclays - Analyst

As the Part D market evolves alongside the IRA, curious to hear what your experience has been on the Evernorth side of the business. Can you comment on any manufacturer or member behavior changes that you're seeing in the market? And relatedly, are you seeing a pickup in specialty or high-cost brand scripts from the Part D program that were previously served directly through a patient assistance program?

Brian Evanko - The Cigna Group - President, Chief Operating Officer

Morning, Andrew, it's Brian. So I'll try to take both parts of your question there. So as you know, we've spoken a number of times about drug innovation being an emerging trend in health care which is poised to continue to at least the end of the decade.

In the specialty drug space, to the core of your question, this is already a \$400 billion addressable market with high single-digit secular growth moving forward. And within that specialty drug space, we are the leader in this clinically intensive business, which positions us uniquely to create value for the patients that we serve.

Now those dynamics certainly transpired during the first quarter. So when you think about our 19% growth in the Specialty and Care Services business, that was powered by all of the themes I just made reference to.

And in the quarter, our Evernorth specialty script volumes, they were up mid-teens. And the most notable growth within that was in our Medicare book of business, which showed a considerably higher rate of growth in comparison to the commercial employer or the Medicaid books of business.

Now it's not 100% clear to us whether some of that Medicare growth was specifically induced by the IRA via the lower out-of-pocket maximums for the Medicare Part D plans or by pharmaceutical manufacturers ramping up their marketing to prescribers.

But what is clear to us is that there's been a structural shift in the US health care space toward more complex clinically intensive specialty medications. In our Evernorth Specialty and Care Services business is a clear beneficiary of this substantial growth in specialty drug utilization. And you saw this again in the strong first quarter results, along with our long-term average annual income growth expectation of 8% to 12% for this high-growth part of the health care system. Thanks for the question.

Operator

Erin Wright, Morgan Stanley.

Erin Wright - Morgan Stanley - Analyst

Could you describe a little bit more about EnReach as well as the EnGuide pharmacy rollout and what these initiatives entail and the economics for Cigna? And just on the GLP-1 strategy, the category is unique, but what are the tools -- or how are the tools different compared to what was deployed across historically PCSK9s, Hep C? I guess, how do you compare? Or how is this different in terms of the strategy to address drug cost and across your customer base?

Brian Evanko - The Cigna Group - President, Chief Operating Officer

It's Brian. I'll try to take those different components here. So as I made reference to earlier, we're proud to take a leadership role here around GLP-1s, which is we all can appreciate. This is an impact that impacts many dimensions of our society and GLP-1s really are a microcosm of the broader wave of drug innovation that's transpiring that I just made reference to in Andrew's question.

So when we step back from this, we saw an opportunity to create new value in the GLP-1 space through the combination of addressing access, affordability, clinical safety, and longer-term lifestyle changes. And as it relates to our Encircle, EnReach, and EnGuide suite, maybe I'll just spend a moment talking about the market needs that are underneath those themes that I just made reference to.

So many of our employer clients, they've indicated the desire to offer GLP-1 coverage for weight management, but those employers are concerned about the cost and safety impact of unfettered access to the drugs. And as time unfolded, we also saw that adherence to the drug was mixed with people starting and stopping and many patients were concerned about access disruptions.

So those dynamics were leading to some patients stockpiling their GLP-1's, some others were resorting to micro dosing. All of those things can distort the clinical effectiveness of the drugs and an additional market dynamic that we saw was pharmacies were reluctant to dispense the drugs because of their own economics, which exacerbated some of the concerns about access to the drugs.

So we introduced EncircleRx in early 2024 as a mechanism to provide some budget certainty for employers along with addressing patient safety and supply concerns. And there's been really strong demand from our employer base here. We now have 9 million people eligible for the program.

And we built upon this year through the introduction of the EnReach solution that I made reference to. You can think about this as an enhanced clinical support and reimbursement stability model for participating pharmacies. So think about a curated network high-touch clinical support for patients. And importantly, the clinical support includes things like dose optimization, patient education, fraud waste and abuse monitoring.

And in conjunction with that program is our EnGuide solution, which is our specialized home delivery GLP-1 pharmacy for those patients who prefer to have the drugs delivered directly to their homes. So taken all together, the suite of EncircleRx and EnReach, and EnGuide. It's meant to address these societal challenges of access, affordability, clinical safety as well as longer-term lifestyle changes.

Now the financial contribution to that part of the question, you should think of this as certainly embedded in our Evernorth outlook for the year. One of many things that contributes to the overall P&L. But importantly, the steps we took here were meant to address those societal needs around this important drug class.

Operator

Josh Raskin, Nephron Research.

Josh Raskin - Nephron Research - Analyst

Just quick clarification. What percentage of your Select segment actually takes stop loss with the ASO versus a full risk solution. And then my bigger question is just in the past, you've spoken about the disrupted environment for Medicare Advantage. And I'd be curious to get your thoughts on the segment currently and perhaps how the 2026 rate notice is impacting your forward view with an understanding, obviously, that you're no longer in the business as of 1.5 months ago.

Brian Evanko - The Cigna Group - President, Chief Operating Officer

Hi, Josh. I'll take the first part of the question and David will take the second. So as it relates to the Select segment and the funding mix, as I made reference to an earlier question, we're agnostic, so employers can choose which model they like.

And amongst the 3 million or so clients that we have there, you can think of it as a little bit over half and fully insured and a little bit under half in an ASO and those that pick up ASO or self-funded, potentially 100% of them are buying a stop loss protection around that because given the size of their respective employee base, they need the budgetary protection and certainty that comes with our stop loss offerings, whether that be individual or aggregate.

David, do you want to take the second part of Josh's question?

David Cordani - *The Cigna Group - Chairman of the Board, Chief Executive Officer*

Sure, Josh. Good morning. As you noted, we exited the space at the first quarter, I think broadly, you're asking our point of view relative to where the space is and where it's going. First and foremost, I said multiple times, we believe in the importance of strength of an overall value of the MA offering in the marketplace but you continue to expect? that. The growth there has been sizable. Therefore, the value seniors see is quite significant.

Secondly, on average, lower average income levels for individuals who are buying that, meaning price sensitivity, yet higher value and greater clinical coordination across the players that exist.

Now importantly, before I specifically comment on the rating environment you're asking about, we serve a meaningful number of Medicare Advantage customers, whether it's through MA, MA-PDP, stand-alone PDP duals or otherwise through our broad portfolio of Evernorth services in direct service of other health plans as well as Brian referenced, the breadth of what Accredo provides day and day out.

So now bridging back to the last part of your question, the overall rate environment obviously is strained. The V-28 phase-in environment is causing strain to some of the ecosystems to try to get the right symmetry between benefit offering and pricing.

What we see in that, my last comment would be those that are in the marketplace are even pressing more for value and affordability and some of the innovations we bring are directly responsive in support of our health planning clients of today to help them have the value of the clinical continuity in support of STARS as well as the overall affordability and value that's going to be necessary on a go-forward basis.

Josh, thanks for the question.

Operator

George Hill, Deutsche Bank.

George Hill - *Deutsche Bank AG - Analyst*

Kind of just two housekeeping questions. Ann, on the 100 basis points, it was the -- in MLR that was the contribution from the M&A business. I guess can you say whether that carrying of that business a net drag on earnings in the quarter?

And can you kind of quantify what the net drag or the net contribution was in the quarter? And then I also thought for the guidance for fiscal '25 that you guys had some degree of what I'll call a recession assumption in the numbers. And I'd like to just -- like kind of your updated comments around how you're thinking about that.

Ann Dennison - *The Cigna Group - Executive Vice President, Chief Financial Officer*

Great. Thanks for the question. I'll take the first part of the question and turn it over to David for the second part. On the Medicare business, as I said in my prepared remarks, that extra month increased our MCR by 100 bps as the Medicare business ran at a higher medical care ratio. The impact on earnings was marginal, I think, less than \$20 million. The favorability really came from our ongoing businesses. And we saw favorability both in earnings and embedded in the MCR for the ongoing businesses.

David Cordani - *The Cigna Group - Chairman of the Board, Chief Executive Officer*

So picking up before we go to the economy, the net effect of that would be the ongoing businesses in Cigna Healthcare. Think about the MCR at about 80, absent the impact of the Medicare Advantage component and the approximately \$20 million or a little less than \$20 million is the result of having that business for about a month longer than we had anticipated, as Ann referenced in the planning assumption.

I think to the last part of your question was oriented around the guide, what it assumes in the economy. Broadly speaking, as we stepped into the year, we recognized the fact that the year was going to be another dynamic year. The economy is a bit uncertain and a bit less stable. Stepping back in the current environment, we do not see dislocation in terms of our broader client portfolio, the overall enrollment levels remain relatively consistent employment levels.

There's ebbs and flows, of course, in terms of some of the headlines. But point one is, thus far through Q1, we see the economy holding up in terms of the nature in which it supports our portfolio. Two, we believe our full year outlook contemplates and the ranges, importantly, contemplate the dynamism of the market.

And as Ann mentioned both in our prepared remarks and previously, we believe that it's prudent to maintain our planning assumptions. Even though we had strength across the board in the first quarter of the year.

So some are us relative to the economy for sure, not seeing the impact in the first quarter. We believe it's prudent at this point in time to maintain our planning assumptions. Thanks for your question.

Operator

Thank you. At this time, I'll turn the call over to David Cordani for closing remarks.

David Cordani - *The Cigna Group - Chairman of the Board, Chief Executive Officer*

Thank you again for joining our call. Let me just reinforce a few points. One, we're confident in our ability to deliver our increased outlook for the full year. And to do that, we remain focused on those we serve and executing with discipline while we continue to innovate.

Second, we will continue our leadership in improving health care, including delivering on the commitments we made earlier this quarter and the five that I highlighted in my prepared remarks. And third, I want to underscore that the progress we continue to make starts with and is fueled by the dedication, passion and commitment of our coworkers around the world.

We're proud of what we've achieved, and we're excited about the opportunities in front of us. Again, thanks for joining our call today.

Operator

Ladies and gentlemen, this concludes The Cigna Group's first-quarter 2025 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) 835-8067 or (203) 369-3354. There is no pass code required for this replay. Thank you for participating. We will now disconnect.

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