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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Welcome to the Cigna Group Investor Day. Please welcome Ralph Giacobbe.

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

Good morning. Welcome to the Cigna Group's 2024 Investor Day. I'm Ralph Giacobbe, Senior Vice President of Investor Relations. And on behalf of our leadership team, we want to thank you for being here in New York and for those joining on the webcast.

We're excited to share the Cigna Group story. Today, you'll hear about our 2 strong, well-positioned platforms, Evernorth and Cigna Healthcare. Across these platforms, you'll hear about our foundational strength, including our pharmacy benefit services and U.S. employer businesses that have been and will continue to be strong contributors.

You'll hear about our specialty business, a truly unique asset with differentiated capabilities that has made us a leader in what is already a very large market, with accelerated growth over the coming years. You'll hear about our emerging opportunities, including our behavioral health offering that will give you a sense of how we're positioning the company for the significant changes in health care. And you'll hear about our partnership-driven capital-light model that generates robust cash flow that gives us flexibility and optionality to drive growth and shareholder value. We look forward to bringing this all together in the presentation today and our confidence in our growth outlook.

We also look forward to your engagement during Q&A, during the breaks and following our formal sessions, there will be an opportunity for all those here in New York to further engage with our leadership team.

Now before we begin, just a reminder, that we will be referring to non-GAAP measures and making forward-looking statements. Relevant definitions, reconciliations and disclaimers are available on our Form 10-K. Actual results may differ materially. Additionally, I want to note that the presentation is being webcast live, and presentation slides are available on our Investor Relations website. With that, I'd like to introduce the Cigna Group's Chairman and Chief Executive Officer, David Cordani.

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

Good morning, everyone. I know it's early. I know it's early. Let me add my welcome on behalf of our leadership team to everybody here in New York City as well as all of you joining us online. We're excited to talk to you about the Cigna Group's positioning today, but importantly, how we are positioned for the future with a lot of the emerging trends that are driving health, well-being and vitality in the marketplace.

Now before I jump in, I want to underscore the fact that what we accomplish each and every day is only made possible with the commitment, the dedication of our 70,000-plus colleagues around the world who come to work every day try and improve the quality of life for the people we serve and aggressively take on some of the largest challenges in health care each and every day.

Now my leadership colleagues here today have the privilege of representing this group. And our leadership team has, on average, about 19 years of tenure with the Cigna Group. That underscores the depth and breadth of our bench as an organization. I would also note that we continue to assimilate talent into the organization, take, for example, technology leadership, where we continue to assimilate technology leadership from other industries, could be financial services, CPG, brand or tech-led industries as we seek to drive continued change across our organization.

Let's jump in. We hope you take away a few headlines from today's conversation. Headline number one, we have a strong franchise, a franchise that has been built to deliver on its promises. Over the last decade, we've delivered 13-plus percent compounded EPS growth over the course of a decade, in a decade that has had its fair share of challenges and change from the ACA through COVID and everywhere in between. We're an organization that is built to perform, deliver on our commitment and deliver on our promises.

Second, we are positioned to perform today with 2 high-performing franchises, a service franchise in Evernorth and a benefits franchise in Cigna Healthcare. And third and importantly, we always have an eye toward the future. We're oriented toward the future trends that are shaping the need state and the opportunity state in the marketplace. And to that end, we are pleased to lift our EPS outlook over the long term to 10% to 14%, which underscores our confidence in the underlying performance of our franchise throughout the course of today, we'll provide examples across the board.

Now as we step in, we need to recognize that in the United States, our largest marketplace, it's a large health care market. It's about $4.5 trillion of spending, the largest of any in the world. Yet in the marketplace that we operate in today, we see that 85% of all costs correlate to chronic disease. And disturbingly, we're seeing that 1 in 5 Americans today are dealing with a mental health issue. So suffice to say, while spending a lot of resources in dollars, we've built in some ways, the largest sick care brake fix system in the world.

While excellence exists there, some innovation needs to take place to improve people's health along the way. As it relates to this, we see that there are 3 indisputable forces that are defining the present and emerging state of health care and will over the next 5 to 10 years.

Those forces include: one, Vitality is plateauing in the United States and in other developed countries. Vitality is the most comprehensive measure of health and well-being, physical health, mental health, spiritual wealth, financial well-being, it is plateauing. Second, technological pharmaceutical innovation continues to surge at an accelerated pace and presents many opportunities for life-saving and life-changing outcomes yet financial or affordability challenges.

And third, from a technology standpoint, technological innovation is beginning to penetrate more aggressively into the health care space, space that has lagged other industries from an adoption standpoint. Let's spend a couple of minutes on each of these. Vitality, from our point of view, Vitality is the most comprehensive measure of health and well being. And we've been able to develop an index after several years of work validated externally known as the Evernorth Vitality Index.

That helps to measure the level of vitality for a group. It could be an employer. It could be for a city. It could be for a college or university to understand the level of vitality and the causation of lower levels versus higher levels of Vitality, so you can be more precise on your engagement.

Some observations here. First, we see that those with strong mental well-being have 10x more likely to have high levels of vitality, 10x more. So the absence of depression or anxiety creates a higher level of vitality. What's the relevancy of that? Well, let's take 1 example. We see that those with higher levels of Vitality have higher levels of contribution in the employer marketplace. That shows through higher-quality work. Presenteeism, engagement, higher productivity, lower turnover rates, right?

That creates a more thriving employer marketplace and environment and opportunity. We also see that those with better physical health are less likely to deal with a chronic disease and, therefore, incur lower costs. So depending on which doorway you go through Vitality, there's a high correlation to individual wellbeing and the well-being of organizations around that. Second trend, the surge and continued surge in pharmacological innovation. Let's provide some context there.

10 years ago, pharmacy costs were 15% to 20% of the overall cost pie. Today, the pie has grown, and the slice that is pharmaceutical in nature has grown by about 50%. Ladies and gentlemen, cast this forward another 10 years. The pie continues to grow. The pharmacy slices of high grows by another 50%. And if you reflect for just a moment, in 10 years, the pharmacy slice of this pie will be greater than the totality of the spend back in 2014. The rate and pace of growth is indisputable. Now we see examples of this with the GLP-1 growth as an illustration, but also take gene and cell therapies where today, there are about 21 in the marketplace. There are fully 1,000 in the pipeline coming forward. Suffice to say, the rate of growth here is indisputable and transformative for the space.

The third for us tech-driven innovation. The health care system has lagged certain other industries relative to harnessing technology to drive change. What type of change for the benefit of those served, more personalization, higher responsiveness, better coordination more convenient access to services, all made possible through harnessing technology and augmenting it with physical access to services. As a simple illustration, last year, approximately 25% of all Americans had a virtual experience. That compares to just about 5% pre-pandemic.

And we know that whether you look at through the lens of ML, AI, generative AI or other aspects of technology-led innovation, the opportunities here are tremendous to continue to evolve, service, access, personalization, convenience and coordination from an impersonal fragmented experience to more personalized, convenient, coordinated experience. We built our company for this moment. We've built our company with an eye toward these trends as we look to the future. And I want to talk about 4 building blocks that you'll hear throughout the course of today that guide us with our businesses, whether they're foundational or accelerate businesses.

First and foremost, we are a purpose-built and performance-based organization. We see those 2 forces as linked as opposed to in conflict. Second, we have a durable yet flexible dynamic growth strategy that is proven. Third, we take a different approach to the marketplace. And fourth and importantly, we've deliberately built our organization to have the capital flexibility to harness the opportunities that this marketplace presents. Let me spend a couple of minutes on each of these. As it relates to purpose and performance, we are guided by our mission. Our mission guides us to improve the health and vitality of those we serve. It guides what we do, and it guides what we don't do as well as how we lean into challenges and opportunities.

This may be best seen through a variety of filters, how do we orient around the healthy society, advancing health equity. We've sought to lean into the diabetes challenge in America, not just for Cigna Healthcare or Evernorth customers or patients, but for the marketplace in totality, how we support our team or a healthy workforce, the products, programs and services we deliver for our colleagues.

Our commitment to making sure we have a healthy company through strong governance.

If you take a measure of that, for example, our Board of Directors measures favorably against any dimension of diversity whether it's ethnic diversity, gender diversity, tenure diversity, experiential diversity, ensuring that we have a healthy company. And then healthy community doing our work to make sure we're contributing to a healthy community across our broad level of services, including our environmental contributions. And you see some recognition across the bottom of the page that we're proud of, but we're guided to do this not for the recognition, we're guided to do this because of our mission. And then as I mentioned, Vitality, just to make that circle squared up.

If you think about it, we see that as a virtuous cycle. When you improve the vitality of an individual, you improve the effectiveness of an organization. When you approve the effectiveness of an organization or an employer, you improve the vitality of the community, and it feeds upon itself.

A vital community creates more vitality for an individual and creates more vitality for the employer landscape. We see that as a virtuous circle that we seek to feed each and every day. On to our growth strategy. Our growth strategy is clear. It's performed, it's durable, yet dynamic because the marketplace conditions evolve. And that framework guides us to harness the value of our foundational businesses, several of which you'll hear from today that are scaled well-structured, performing businesses and continuing to grow.

And in many cases, provide us the opportunity to establish foundational relationship with clients that we can expand over time. Then we harness the power of our Accelerate businesses. These businesses have larger, more meaningful secular growth tailwinds behind that. You'll hear from a couple of those today as well. Our specialty care capabilities as well as our behavioral care capabilities. And then importantly, we support those businesses further with what we talk about as cross-enterprise leverage. How do we harness the capabilities across our enterprise that no one business could do on its own, but you could pull across the organization. That could be client relationships. It could be leveraging data. It could be leveraging technological innovation. It could be leveraging capital, it could be leveraging talent to fuel that growth strategy over time.

Let's pay it to number three, our differentiated approach. We approach the marketplace a little differently than our competition, and we do that deliberately. First, we harness the clinical expertise that exists in our organization. We have 20,000 clinician colleagues in our organization. And we aid those clinicians with the leverage of our longitudinal data sets and our analytics to provide more precision each and every day to the care journey of the customers and patients we're able to serve each and every day.

We augment that through our orientation around advancing better clinical outcomes, as we close gaps in care as we improve leverage of centers of excellence, as we improve overall quality of life through coordination, you'll hear examples of that throughout the course of today. Additionally, we have a relentless approach to lower the cost of care. That is a means of improving overall value. And in many cases, you lower cost of care and improve quality. Our side of care optimization is a great example of that.

We were able to generate a better overall affordability with a more convenient site of care and better clinical coordination. You'll hear examples about that throughout the course of today. And then third, our relentless approach to innovation and partnership. We're driving innovation all day, every day and some examples on the board include our commitment to the independent pharmacists through IndependentRx. We're through harnessing data, we were able to identify 2,000 independent pharmacists, truly independent pharmacists that were the sole source of access to care in an individual marketplace.

We leaned in proactively last year with elevated levels of reimbursement and expanded service support, immunizations, preventative care, met the health screening to help those local communities or ClearCareRx, where we leaned in with a more transparent program that we evolved over the prior 12 years working with large investigated multinational employers. Or a Pathwell program, what you hear about today when we take individual episodes of care and reengineer them longitudinally to provide better quality and better value.

Our orientation of partnership is long-standing. We state that by saying we seek to be the undisputed partner of choice. That guides us to see a competitor as a potential client. It guides us to see a vendor as a potential partner to collaborate and extend our reach together to have a more positive impact on people's lives. A recent example of that, that we're proud of is our expanded relationship with Centene. Our ability to serve more lives together and have a more demonstrable impact on people's lives is a tremendous opportunity, and it's a result of partnership or CarePathRx.

We align our specialty capabilities and expand our reach or with VillageMD we take their proven value-based care capabilities and fuel them further with our Evernorth Accountable Care capabilities to extend their reach beyond what they are able to achieve today, well beyond Cigna Healthcare or Evernorth customers and clients, but the marketplace at large, and taking more precision and data to cultivate pathways to care for them.

Let me touch on the fourth part. None of this is possible without capital health and flexibility. And we've deliberately built our organization to have the capital health and flexibility to fuel ongoing growth and shareholder value creation. Over the next 5 years, we will generate $60 billion of operating cash flow. That's greater than the last time we talked. Why? Because of growth. Over the last 5 years, we've returned slightly in excess of $30 billion to shareholders through a combination of dividends and share repurchase. Looking forward, our uses of capital will continue to be oriented around, first and foremost, fueling the growth of our organization. In part, that is feeding our CapEx budget to drive the ongoing innovation across our organization. Second, we'll continue to be to evaluate on a disciplined basis opportunities for targeted M&A that expand our capabilities or our reach.

And then third, returning excess capital to our shareholders through a combination of share repurchase as well as through a very attractive dividend. So let me set the day up for you. I'll wrap up in a couple of minutes. And after that, we're going to start peeling back our businesses in a little bit more depth. Eric Palmer and Brian Evanko will spend some time talking about our view of our addressable markets, and we'll take each of our businesses and broaden the exposure of the way we see today's addressable markets and our growth opportunities.

Then we'll pivot into our foundational businesses, and we'll take 2 of them, our pharmacy benefit services and our Commercial Employer business where Adam Kautzner and Bryan Holgerson will spend time talking about how we are positioned to deliver differentiated value today and going forward and what will continue to drive our growth. We'll pivot from that to talk about our opportunities in specialty, our leadership in specialty care.

And Matt Perlberg and Heather Dlugolenski will talk about both how we deliver services today through Evernorth and how Evernorth partners with Cigna Healthcare to generate new and innovative services for the benefit of those we serve. We'll then talk about our care capabilities, where Eric Palmer will frame the way we see the marketplace today, and Eva Borden will dig deeper into a critical area of care delivery for the marketplace today, behavioral health. Then Noelle Eder will come up and talk to you a bit about our approach to harnessing technology as fuel that drives innovation, impact more personalization, less fragmentation and more connectivity.

And then we'll get to something that I know you want to talk about, which is our financial outlook, where Brian will frame our financial outlook today and into the future and break it down through a segment level.

We'll spend a block of time on Q&A where all the presenters will have an opportunity to address the questions that are on your mind. I'll briefly wrap us up. And then as Ralph noted, for those that are here with us in New York City, we'll have an opportunity after we wrap up the formal session and disconnect from the WebEx in a ballroom adjacent to there, all the presenters plus our leaders who are here that are not presenting will be here to chat with you and explore additional questions you may have. So suffice to say, we're excited for the day.

To recap your headlines. We built our business for today with an eye towards tomorrow. We have a strong franchise and a franchise that has delivered on its promises over the course of a decade with 13%-plus EPS CAGR over the course of that decade. Our franchise is performing well today and built to deliver, whether it's through a services lens or a benefits lens. And importantly, third, we always have an eye to the future. We've oriented our company to build with future trends in mind, some of which may be disruptive to business models, but harnessing that disruption to continue to position ourselves to deliver more value for the benefit of those we could serve. We are pleased to increase the outlook of our EPS growth to 10% to 14% over the near and long term on average.

So with that, I'm going to transition the conversation over to Eric Palmer. He's going to start by leading us through a conversation relative to our addressable markets. Thank you.

Eric Paul Palmer - *Evernorth Health, Inc. - CEO, President & Director*

Well, good morning. I'm Eric Palmer, and I'm the Chief Executive Officer of Evernorth Health Services. You just heard David talk about the forces in the health care marketplace and how we've positioned the Cigna Group to thrive and lead through the challenges that are present in the health care system. Next, I'm going to spend a few minutes talking about the addressable market in which we operate and unpack them a bit further. There are 4 simple headlines I'd ask you to take away from this portion of our presentation.

First, we operate today in very sizable markets, and we'll illustrate each of those momentarily. Second, those markets are growing. We'll provide additional perspective on that as well; third, we have opportunity to gain additional share built off of the strength of our differentiated proposition, and we'll highlight some of those elements for you today as well; and fourth, we have the opportunity to further expand our reach because we are systematically expanding the geographies in which we operate, the products and services that we offer and the buyer groups that we target. So let's dig in. As David noted, we've constructed the Cigna Group with 2 deliberately and well-positioned businesses and segments going forward.

Evernorth health services represents about 60% of the total income of the corporation and Cigna Health care represents about 40%. I'm going to spend a few minutes talking about the components of Evernorth and then Brian Evanko will talk about Cigna Healthcare. Within Evernorth, we've deliberately built a balanced portfolio. About half of Evernorth is made up of our pharmacy benefits capabilities and about half is specialty and care services.

And you'll hear about each one of those over the course of our day together today. When you look at Evernorth overall, the opportunity for the market that we participate in is significant. Evernorth today serves an addressable market of just over $1 trillion and depending on the source that you look at, the U.S. health care system is $ 4.5 trillion. So this is a meaningful portion of the U.S. health care system overall already today. And as I mentioned, we'll be expanding over time as we work to position ourselves in higher growth areas of the market and add additional capabilities.

Now I'd like to start to unpack the Evernorth portfolio a bit, and I'll start with the Specialty and care services portion of our business. As I noted, it's about half of the overall market today. The specialty marketplace is a tremendous opportunity. Specialty is a $400 billion market. And to put that in some context, that makes it bigger than the individual Medicare Advantage market today. This market is growing faster, and we are the leader in this market.

Matt Perlberg will join us on stage and a bit and share a little bit more about what makes us unique and why we're so excited about the opportunity for us to continue to lead and innovate in this market. We're the leader in the specialty marketplace because of our capabilities and our strengths. First, our clinical expertise is second to none. Matt will explain and illustrate for you the way that we've organized our business to deploy our clinical resources across 15 therapeutic resource centers. Our comprehensive access profile is also unmatched. Pharmacy manufacturers choose us to help them get their products to market.

We have a broader array of specialty pharmacy products than anyone else. Third, our capabilities and our footprint are significant and also leading in the space. And fourth, our orientation of innovation and partnership positions us to continue to challenge the status quo and to bring new services and capabilities to market. Specialty has really powerful growth potential, and we're really excited about what the future holds for us here. We see this market as growing at 7% to 9% on average, and we see our ability to outgrow the market by up to 2% on average per year. That brings the specialty portion of our portfolio to an 8% to 11% growth rate year in and year on average in the coming years.

Next, I'd like to pivot to our care services portfolio. We introduced you to these businesses back in 2022 at our prior Investor Day, and these businesses are now live and performing. As David mentioned, Eva Borden will join me later on today to highlight a little bit more about what we're doing in care services, but we are operating today in a $400 billion market. And we expect this to also grow over time as we add additional capabilities in the market and as we see these spaces as faster growth than the overall U.S. health care system. So we'll unpack this a bit further later on this morning. Our care services businesses win, again, because of our clinical expertise, our orientation on innovation and working to drive incentive alignment and our capital-light and digital-first approach.

Our orientation to care providers -- providing care is one focused on partnership. We do not need to own or employ every element of the health care delivery system to bring effective value to the market. For our care services portfolio overall, we are positioned for growth. We see an opportunity for this business to consistently grow 10% to 15% a over each of the coming years on a long-term average basis.

Now let me pivot over to the Pharmacy Benefit Services portion of our portfolio. You know this today through our flagship Express Scripts, pharmacy benefit. It's about half of Evernorth today. Express Scripts serves a wide variety of buyers, and Adam Kautzner will take the stage momentarily to share a bit more about what we do and who we serve within the Express Scripts capabilities. But think here of us serving government as a payer, government-based health plans, commercial health plans, relationships direct with employers and other entities. It's a $450 billion market and continues to grow. Our pharmacy benefit services business is also best-in-class. It's enabled by our approach to bringing choice, the modularity.

We meet our clients' needs with where they are. We don't mandate a particular approach or a particular methodology to how we work with them. We have leading supply chain excellence, and you'll hear more about some of our innovations here, including our EncircleRx program, which is built on the depth of our capabilities and our innovation from a product support perspective. And our clinical expertise, again, ensures that we are able to help our patients get the care that they need, the medicines they need and are positioned to close gaps in care, all of which Adam will share more about later this morning.

Our pharmacy benefits capabilities continue to grow. Just this year, in 2024, we've added 24 million new customers onto this platform. We've added more than 270 new clients -- and these clients range from the large, like Centene, which was the largest single transition in the history of this industry that we successfully implemented in January to continued growth in existing partnerships like Prime Therapeutics, where Prime uses a meaningful subset of our capabilities to complement their own and help better serve their clients and customers to individual employers who look to us to make pharmacy benefits more accessible and easier for their employee base. The pharmacy benefit space, we expect to grow 2% to 3% on average over the coming years, and we expect to outgrow that as the market as well, bringing the totality of the space to 2% to 4% on average growth over the coming years.

Now taken together, this page brings the different components of Evernorth's positioning on to one piece of paper. You see on the left, each of the segments I just briefly described and that we'll unpack further today, laid out with the current addressable market, our view of the market growth rate, our view of our ability to take share and further grow our expansion and address additional markets and how that then results in our long-term growth rate for each of these subsegments. And when you put that all together, we see Evernorth as having the potential and the commitment to grow at 5% to 8% and growth per year on average in the coming years.

Now I'll note that 5% to 8% is yet another increase. Over recent years, we've continuously worked and built Evernorth with an increasing amount of momentum. And you see here the history of our growth outlook for Evernorth and our Health Services capabilities. I'm incredibly excited about the opportunity for Evernorth to lead in this industry and to grow 5% to 8% on average over the coming years. And you should think of this as a reflection of our confidence in our capabilities, how we've worked to position ourselves in high-growing markets and the leadership position we've got based off of the capabilities we've amassed. Brian Evanko will put this in the context of the overall Cigna Group growth rate later on today. But first, Brian will share a bit more about the addressable market for Cigna Healthcare.

So with that, I'm going to turn the stage over to Brian.

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

Thanks, Eric. Good morning, everybody. Great to see you all here in New York. Eric did a really nice job there, give you a little bit of a drill down into the Evernorth Health Services business, addressable markets, opportunities for growth. And as he said, I'm going to pivot us over to our Cigna Healthcare business now, which is our flagship health benefits business and some health insurance. So I'll do the same type of walk through over the course of the next 10 to 15 minutes culminating in the numbers, which I know you're looking forward to seeing.

But as a reminder, Cigna Health care is about 40% of the Cigna group's income. So a balanced portfolio here between our service company, representing about 60% and our health benefits business representing about 40%. Within Cigna Healthcare, we have 3 distinct businesses. The first and the largest is our U.S. employer business, right? This is a consistent, steady grower for us, and the market has proven to be consistent over a long period of time. We currently serve over 16 million Americans in our U.S. employer business.

The second business is our individual and family plans business, which we call IFP, or individual exchange. This is a direct-to-consumer business. We're currently in 14 states, and we see opportunities to continue expanding our addressable markets here going forward on a targeted basis. And then finally, our international health business. This has proven to be a consistent, durable study grower for us for a long period of time. We currently operate in over 30 countries and jurisdictions around the world and see future growth opportunities here as well.

So I'm going to spend the next few minutes just giving you a little bit of a further drill down into each of these 3 components. First, U.S. employer. This is a large market, $1 trillion of spend annually. And it's been a consistent, steady grower. We tend to view this market in thirds, roughly 1/3. As you see the 3 pieces of the pie chart here. The first segment is the Select segment. That's shown in blue on the chart. That's representative of employers who have 50 to 500 employees. So we consider that the lower end of the employer market, and that's about 1/3 of the U.S. employer market space. The second component in the white is the middle market. We define that as employers who have between 500 and 3,000 employees.

And then the final component in the green is national accounts, which we define as 3,000 and up in terms of employees. And again, that's bifurcated roughly in thirds in terms of the size of those respective addressable markets. As you can see on the right-hand side of the chart, our select segment market share is just 7%. Now it's grown over time, but it's still just 7%. So we view ourselves as underrepresented in the select segment specifically. On the left-hand side, you can see in middle market and national accounts, we have low double-digit share.

We expect to continue growing in middle market and national accounts, but we see more outsized growth opportunity in the Select segment specifically. Now one of the really important reasons why employers choose to work with us is the consultative orientation that we build with them. The employers we serve, they tend to view health benefits as a strategic weapon to help them win in their core businesses. And so that, for us, means long-term relationships and relationships that expand over time.

As you can see on the chart, our average client relationship is over 13 years, so long-term durable relationships. Additionally, in our larger employer segment, we currently have about half of those employers who have 3 or more solutions with us. Oftentimes, as the relationships gain in duration, we build more and more solutions together. Now the flip side of that is the other 50% have fewer than 3 solutions with us. We see that as opportunity to expand those relationships over time.

And you're seeing, particularly with the larger employers, more and more of them are talking about point solution fatigue with us, meaning they went with a vendor for a specific service, they're not getting the ROI or they're finding their employees are seeing fragmented experiences. We see that as opportunity within Cigna Healthcare and in Evernorth. Now Bryan Holgerson, who's the President of our U.S. employer business, will join me up on stage here shortly and he'll talk through why we win a U.S. employer in more depth. But there are really 3 things I'd call your attention to.

The first one is we have a multifaceted approach to affordability. So what do I mean by that? Well, we've been working tirelessly over the last several years to improve our unit cost positioning in many local geographies. That's 1 element. Another important element that David touched on earlier is site of care optimization. We've been doing a tremendous amount of work as a company to move care to optimal settings, clinically equivalent or better but more cost effective.

So that can take the form of inpatient to outpatient, it can take the form of physical care to virtual care, can take the form of emergency rooms, step down to urgent care centers. Those are examples of site of care strategies that we've been employing over a multiyear basis. And finally, we have clinical programs that are targeted to specific conditions in specific disease states and all those things help to defray costs for our employer clients.

Secondly, we take a highly consultative orientation. So I made reference to this earlier. The approach we use with our employers is to understand how they can use health benefits to improve productivity, presenteeism and ultimately, the health of their employees because they know COVID has shown us the health well-being and productivity of their employees is critically important for the success of their core business.

And then finally, choice and modularity are 2 themes you'll hear throughout the day. And what we mean by that in this context is our employers, they want to know what the best funding solution and set of product solutions are for them. They don't want to know what's best for Cigna, they want to know what's best for them. And so we walk in and say, we'll use whatever funding arrangement is best for you.

And a lot of our employer clients appreciate that choice and that modularity and our technological capabilities enable that. So when you put this together numerically, we see secular growth in the U.S. employer space of 4% to 6% annually going forward. And we expect for our company specifically, up to 2 percentage points of additional growth that will take the form of market share gains, most notably in the select segment where we're underrepresented as well as some buyer group expansion, particularly as we continue to be more cost effective and more cost competitive in more local geographies across the country.

So taken all together, we expect 6% to 8% growth in our U.S. Employer segment. That's consistent with our previous expectation, and it's consistent with what we've delivered historically.

Now turning to the Individual and Family Plans business. Again, this is the second of the 3 businesses within Cigna Health Care. This is a direct-to-consumer business. You might talk about this in terms of the individual health insurance marketplaces or the exchanges. We've taken a measured focused approach to this business over time. We're currently in 14 states. This is a $150 billion addressable market across the country, and we see opportunities on a targeted basis to grow here. So here, secular growth, some market share expansion in the existing geographies where we're underrepresented and opportunities to broaden our footprint over time.

So all that will culminate in a 10% to 15% average annual growth expectation for the Individual and Family plans business within Cigna Health care. The final piece of the Cigna Health care portfolio is our International Health business. This has proven to be a durable steady contributor over a long period of time. And it's a differentiated business. We serve employers, we serve individuals. We serve governmental entities. The differentiation here has allowed us to sustain attractive margins that have been consistent over a long period of time.

This is a business that also has secular growth. It also has targeted opportunities for market share expansion and addressable market growth, both in the form of new products and some new geographies. So as I made reference, we're in over 30 countries and jurisdictions today and we see this business growing 8% to 10% per year on average going forward.

Now the final component in terms of enabling our results in Cigna Health care is we call cross-enterprise leverage. So David talked about a number of flavors across enterprise leverage that power the strength of our company. In the context of this conversation, I would encourage you to think of it as how Cigna Healthcare and Evernorth are mutually beneficial, mutually benefiting one another from the strength of the offerings and solutions that Evernorth provides for Cigna Healthcare. And you can see a number of them that are listed up here on this slide. So these are capabilities that are underneath the Cigna Healthcare product offerings that we use as we go to market.

So this benefits Cigna Healthcare because it generates better cost of care, better customer experiences, less fragmentation and better clinical outcomes. So it's all benefits to our Cigna Healthcare clients and customers from the utilization of Evernorth services. Those are all intangible benefits, which help the competitiveness of the Cigna Healthcare business. Now on the Evernorth side, there's direct financial benefits because when we consume services in Cigna Healthcare that are provided by Evernorth, it produces revenue and income opportunities in Evernorth.

We think the most instructive way to look at this, financially is how much of the total cost of care within Cigna Health care is impacted by Evernorth solutions and capabilities. Today, that number is about $28 billion. So this is within the total Cigna Healthcare spend about $28 billion of that is impacted by an Evernorth product or solution.

That's a little bit over 1/3 of the Cigna Healthcare total cost of care that's impacted. And we see that number growing by 50% inside of 5 years due to the capabilities that Eric just walked you through over the course of the last 15 minutes in Evernorth. So putting this all together, similar charts is what Eric showed for Evernorth, but for Cigna Healthcare, the 3 businesses and their respective growth rates here. So you can see they're all attractive growers in different addressable markets, serving different buyer groups.

But importantly, we see U.S. employer growing 6% to 8%, individual and family plans growing 10% to 15% and the international health portfolio growing 8% to 10%. And in aggregate, we expect the Cigna Healthcare business to grow 7% to 10% per year on average in the future. That's slightly below our prior expectation, which is a function of the pending divestiture of our Medicare businesses to HCSC. Now I would note, historically, we have grown in the 7% to 10% range even when excluding the Medicare businesses within Cigna Healthcare.

So this is consistent with what we've delivered. So hopefully, you found the last 20, 25 minutes that Eric and I just walked through helpful in terms of the mental model that we use to assess the growth prospects here at the Cigna Group. We compete in large sizable addressable markets, over $1 trillion addressable and Evernorth, over $1 trillion addressable in Cigna Healthcare. Each of them have secular growth, differential rates of secular growth, but they're all growing.

Thirdly, we have targeted share gain opportunities. Eric talked about specialty pharmacy being one where we have a particular opportunity. And in the Select segment, and our U.S. employer business, we have a particular opportunity in Cigna Healthcare. And then finally, on a targeted basis, we'll expand our reach into new addressable markets. Those could be new products and capabilities. Those could be new geographies. So I realize it might be a little bit early for a break, but we decided to be generous today with you, and we're going to take a quick opportunity here to re-caffeinate before you'll hear from many of my colleagues over the course of the next 90 minutes. If you could be back in 15 minutes or less, we would really appreciate it. But thanks for your attention. We'll see you soon.

(Break)

Operator

Hello, everyone. Please take your seats. Our program will begin in 5 minutes.

Adam Kautzner - *The Cigna Group - President of Evernorth Care Management & Express Scripts & Evernorth Health Services*

Good morning, everyone. Welcome back from the break. My name is Adam Kautzner. I am President of Express Scripts. So you heard earlier this morning from Eric and from Brian about the strength of our foundational businesses. I'm now going to speak to the long-term growth of Pharmacy Benefit Services within Evernorth. As Eric mentioned this morning, the total addressable market for Pharmacy Benefit Services is $450 billion annually, and it's continuing to grow. But we also are continuing to produce strong, durable growth. In fact, this year alone, we will grow by a full 20%. And over the last 5 years, we have grown by 10% year-over-year.

Even if you remove our newest largest client, Centene, from those numbers, we still have grown by over 6% outpacing the market. Our ability to grow has been a direct result of the value that we provide through our differentiated and flexible approach. We now service 120 million Americans. Employers of all different sizes, health plans that are national and regional, some regulated markets as well and others that you may actually think of as competitors, other pharmacy benefit service organizations.

Let's take a minute, though, to talk about the importance of the pharmacy benefit services that we provide each and every day. Americans are taking more drugs today than they ever have before. They do this to get and stay healthy. Pharmaceutical manufacturers though, are continuing to produce thousands of new drugs that are in their pipelines today. Some of those drugs represent new innovations in cell and gene therapy, specialty conditions or some of the blockbuster chronic conditions like we'll talk about today, the GLP-1 class. Others, we would consider [me 2] products as well. But what all of those drugs have in common are really high prices.

In fact, in 2023, new products that entered the market had a median annual price of $300,000 represents a 35% increase over new products that entered the market in 2022, and it's a completely unsustainable number. And it's driving the affordability and access crisis that both our buyers and our customers are dealing with. This is why they hire us because we have the knowledge and we have the expertise to develop new innovative condition therapies that can treat those types of conditions but also do it in a cost-effective way.

Some examples of how we're addressing the affordability crisis right now include our market-leading pharmacy value-based care suite of solutions in SafeGuardRx, as I'll speak more about in a few moments. Our new pricing model, as David mentioned this morning, in ClearCareRx or specifically addressing patient out-of-pocket costs and providing affordability at the pharmacy counter and our patient assurance program.

We have had a long history of providing value to our clients. We're able to do that through our supply chain excellence and clinical expertise while offering flexibility and choice. Just as [no 2] patients' needs are the same, neither are our buyers. So whether it's an employer group needing fully integrated end-to-end benefits or a health plan looking to enhance existing capabilities, or another pharmacy benefit service organization needing a modular approach, we can meet all of those buyers' needs.

We have a full array of standard offerings, but we also can create bespoke fully customized solutions to meet the exact unique needs of our largest clients. We also are flexible in how we're compensated for those services. So whether it's a shared savings model, a flat administrative fee or us taking risk on the clinical or financial outcomes, we remain flexible in how our buyers pay us for services today, and they're in control of that.

We're able to provide that level of flexibility because we are the market leader in supply chain excellence. We have the expertise. We have the breadth and we have the reach to unlock value others can't, whether that's with pharmaceutical manufacturers, drug wholesalers or even in negotiating with pharmacies to keep them as efficiently as possible to have access for our patients. This year alone, we will save our clients roughly $38 billion. That's about 10x what we even make from Pharmacy Benefit Services. But we're also focused on affordability for our customers.

And I am proud to say that this year, 3 and 4 Express Scripts customers will spend less than $100 in total on all of their out-of-pocket prescription medications. It definitely demonstrates that when our clients and patients are able to save, we are all able to win. But things don't stop there because we're also focused on how we drive improved clinical expertise for the lives of the patients that we serve.

Our SafeGuardRx suite of solutions is now a decade old. It is unmatched in the industry as a value-based care solution. It started with hepatitis C, in 2014, where we were curing patients, expanding access while dramatically lowering the cost. We now cover 11 different specialty and chronic conditions. Those conditions account for about 75% of total health care expenditures today. We're able to improve adherence for patients, help them achieve the clinical guidelines and outcomes that they need while delivering a tremendous amount of savings.

We service over 80 million Americans in this program today. It's completely unmatched and differentiated in the industry, and we'll deliver over $6 billion of client savings through this solution. But we're also focused on the lives and well beings of our patients. So whether it's our ScreenRx adherence solution, or it's our RationalMed solution of bringing pharmacy and medical data together or a holistic solution, Health Connect 360, those 3 solutions together combined to close 5 million patient gaps in care in 2023.

Now we're going to go through one quick example of what one of those gap in care closures is, what it is, and that's going to be using a patient named Frank. And Frank has diabetes. Unfortunately, his diabetes is uncontrolled because he isn't adherent to his medications and his blood sugar is continuing to fluctuate. Frank was recently hospitalized and due to our 360-degree view of the patient where we have pharmacy and medical data, our Express Scripts clinical team of nurses and pharmacists were able to see that Frank had recently been hospitalized. Upon discharge from the hospital, we were able to reach out to Frank and educate him about a remote blood glucose monitoring system.

We coordinated with his provider to ensure that he was able to get the remote blood glucose monitor system and now we are able to provide real-time interventions and coaching to help Frank stay healthier and out of the hospital to better manage his diabetes.

It's just one example of the 5 million moments that we had with patients in 2023 to help them stay healthier overall. But we don't stop there. We have a heritage at Express Scripts of taking on the toughest challenges that exist in the industry. Each and every day, we are talking to our clients about what challenges they are facing. The largest challenge that they're facing right now is around the GLP-1 class. So these are the drugs that predominantly patients have taken for diabetes but more and more are now taking for obesity and even for cardiovascular disease. They represent the #1 drug trend driver today in America and are the hottest topic of what I talk to my clients about each and every day.

They are the #1 drug trend driver one, because of increased utilization, but two, because of the high cost. Some have list prices that approach $15,000 annually. And patients must be on these products likely for the rest of their lives to realize the full benefit. Given the rise of patients that are living with diabetes and obesity in America, we expect this market could approach $100 billion by 2030. It's a completely unsustainable number and our clients are continuing to look to us for help. Many of them want to preserve access for patients or expand access for patients to treat diabetes and obesity. But at the same time, you are seeing some that are pulling back as well. And this is where we listen and we partner with our clients to develop a fully comprehensive solution that meets the market's needs of today.

Enter EnCircleRx. This is our Cardiodiabesity value-based care solution. So cardiovascular disease, diabetes and obesity. This solution puts together our supply chain excellence with our clinical expertise, where we've been able to contract uniquely with drug manufacturers on these products to be able to provide the industry's first ever GLP-1 financial guarantee so that we can provide predictable, sustainable increases of trend on behalf of our clients, so they have peace of mind to be able to provide coverage for diabetes and obesity. And at the same time, we're able to ensure that these get to the patients that need them most.

We're doing that through a lifestyle modification program that is rooted in clinical basis. This program ensures that the patient is now an active participant in their care. And so it couples that lifestyle modification piece with the GLP-1 to make that drug work harder for the patients to produce better outcomes, giving peace of mind to our clients while still providing that sustainable, predictable trend over time. It's solutions like this that not only make us the market leader in pharmacy benefit services but also the partner and choice. As I bring all these pieces together, that is what sets us apart. We listen to our clients and we partner.

We have differentiated offerings to meet multiple types of buyer groups. Some you may even consider as competitors and other pharmacy benefit service organizations. But we're also remaining very flexible so that we can continue to thrive even in the face of regulatory uncertainty. Now before I turn it over to Bryan Holgerson to talk about the strength of Cigna's commercial employer buyer groups. I want to leave you with this. We were built for this. We're able to provide strong, durable growth in this highly evolving market by meeting unique buyer needs and staying 1 step ahead of the curve. Thank you.

Bryan Holgerson - *The Cigna Group - President of U.S. Commercial - Cigna Healthcare*

Thanks, Adam. I'm Bryan Holgerson, and I lead Cigna Healthcare's U.S. employer business. Every day, our team partners with employers to solve their current and future health care needs. And while employers have different challenges, influenced by the economy, their industry and their own financial performance. At the end of the day, they're primarily focused on solving 3 specific goals: First, it's attracting and retaining top talent. A critical component of which is their benefits plan; second, it's ensuring their benefits plan is not only competitive but also affordable; and third, it's having healthy, productive employees, with high levels of vitality who make positive contributions to their business performance.

Now in order to help employers achieve these goals, it requires a unique approach and our ability to deliver a unique approach at scale is what differentiates us in the market. We hear this every day from our employers and our results they prove it. We have a long track record of growth. We've consistently delivered annual revenue growth that outpaces the broader U.S. employer market. And as we look to the future, it's what makes us confident in our ability -- it's what makes us confident in our ability to continue to grow as we see the opportunity for outsized growth, particularly in our Select segment and steady and stable growth in our national accounts and middle market segment.

Now our growth will be fueled by our unique approach, and I'm going to walk you through the main pillars of this. First, we have a relentless focus on improving affordability and creating more value for our clients and customers; second, we bring a highly consultative orientation to market, led by our experienced sales team who understands the unique needs of each of our employers and solves them; and third, we bring choices with a modular portfolio across products, services and funding options that we deliver to meet those specific unique needs and solutions.

Now I'm going to walk you through each one of those in a little bit more detail so you can understand and taste the difference. So let's start with affordability. Our team is focused on improving the -- and improving health care affordability each and every day. In fact, we've been the leader in total cost of care results across the industry. And over the last 5 years, we've been able to double our competitive footprint, by improving our unit cost position. And by expanding our addressable market, we've been able to -- expanding our addressable market has contributed to the strong growth results that you've seen across our U.S. employer business. And while unit cost is important, it's just one dimension of our multifaceted affordability strategy. Stepping back, Employers are looking for solutions that promote broad health outcomes, the best health outcomes at the lowest cost and high-quality care delivered in the most efficient cost setting is the key to making this happen.

Over the last decade, we have developed deep collaborative relationships with high-performing providers, leveraging our unique clinical solutions and our deep data and analytics in order to guide our customers to the most efficient, most effective sites of care. And the result, well, for individuals, it's truly changing lives by expanding their access to health care, by identifying health needs earlier and by improving their health outcomes.

And for employers, it's a more productive workforce at a lower cost. And while affordability is the foundation of the value that we deliver to our employer clients, it's actually our highly consultative solutions-based approach that differentiates us in the market. We start by understanding each client's unique needs because we don't just sell products and services. We've been very intentional about creating a portfolio across medical, pharmacy, behavioral, dental and voluntary products, all wrapped with clinical solutions to meet the precise needs and maximize the performance of the plan.

In the end result, it's a tailored solution for each employer that does just that. And so the question is, how does that make us different? How does that make us different because there's no shortages of solutions in the market. And the truth is there's too many tools, and there's too many vendors, and there's too many disconnected experiences. And oftentimes, employers are left wondering if they're receiving the value they were promised. Our approach drives results. When we integrate benefits, we improve the health of the individuals that we serve and we deliver more value to our employer clients.

In fact, our studies show that when clients integrate their benefits with Cigna, and we leverage our data and analytics to help -- help physicians close more gaps in care and help us identify and engage individuals earlier, we deliver financial results for our employers, $3,000 of savings per employee per year from this strategy. Now while this strategy drives results, clients want choice, and they want more flexibility to meet the unique needs of their employees. A great example of how we've led in the market in this space is our approach to the growing needs around mental health services.

We offer comprehensive solutions, leveraging our innovative Evernorth capabilities to meet the broad spectrum of needs for our clients. And then we work with them to help them choose the need that works- we work with them to help them choose the solution that works best for them.

Whether it's a well-being solution, a traditional EAP program or our premier behavioral solution, which provides concierge-level support for those who need it most. This is just one example of how we work with employers, ensuring that they get exactly what they want, because it meets their needs. Now after we've constructed the right combination of products and services in tandem with our clients, we work with them to understand their funding choices.

This is critically important as more employers who get engaged in the health and vitality of their employees, they want to participate in the financial benefits that are associated with it. And remember, health care is often employers' second most expensive -- second highest cost only to wages, and this is what makes us different. We have perfected our approach for decades. And our unique approach is very challenging to replicate.

We offer a continuum of solutions. Our continuum of solutions is designed to meet each employer's specific appetite for risk with what works best for them. We're funding agnostic, and we provide them opportunities to grow over time. We constructed in a way that aligns incentives and ensures that they can participate in shared savings when their plan runs well.

And our clients are seeing the benefits. In Select segment, employers who choose a self-funding option received shared savings over 50% of the time. And for them, this means lower health care costs. For us, it means more satisfied employers, and ultimately, a higher retention rate. Now employers of all sizes want choice. What's particularly differentiating for us is our ability to do this in the Select segment, where historically employers of this size have had limited choice around fully insured options. However, when choice is paired with our expertise and our approach, the majority of employers actually choose to self-fund their benefits. 60% of our employers in our book of business compared to 30% in the market. And this is the proof.

This is the proof that our approach to the market and unique solutions are different. This unique approach and our affordability improvements have enabled us to deliver outsized growth in the Select segment. Since 2018, we've grown faster than the market. We've increased our market share from 5% to 7%. And as Brian mentioned earlier, we're just getting started. We continue to be excited about the opportunity to grow in Select segment because we've got room to grow, and we've got more value to add and we've got more value to add to more employers. We expect to increase our market share in Select segment to over 10% just as we've done in national accounts and Middle Market. And so what does this translate to?

This translates to our expectation to double revenue in Select segment over the next 5 years. Now when I think of the unique approach that I've just described and the thousands of conversations I've had with our clients over my 22 years at Cigna Healthcare the theme of what makes us different in one word, it's how. It's how we help make health care is more affordable by working collaboratively with our physician partners. It's how we partner consultatively to ensure we not only understand, but meet the needs of each of our employers. And it's how we tailor a benefit strategy using solutions from across our enterprise and ultimately for employees and their family members, it's how we help them improve their health and vitality. This approach has been the fuel of our historical growth.

It's what's driven our results. And looking forward, it's what's going to fuel our future growth as well. And it's why we're confident in our ability to deliver on our 6% to 8% long-term growth commitments. Now I'm going to turn it over to my colleagues, Matt Perlberg and Heather Dlugolenski, who will talk about our specialty business and the exciting opportunity and value that we have to add. Thank you for your time. Matt, over to you.

Matt Perlberg - *The Cigna Group - President, Pharmacy & Care Delivery at Evernorth Health Services*

Good morning, everybody. I'm Matt Perlberg, President of Evernorth Pharmacy and Care Delivery. I'm joined today by Heather Dlugolenski, our U.S. Employer, Chief Strategy Officer for Cigna Healthcare. We're both really excited to be with you today. As you heard from David and Eric this morning, specialty was a key contributor to our success in 2023, and it will help fuel our growth in '24 and beyond. Before we dive in, though, I want to provide some grounding on what we mean when we talk about specialty. Specialty drugs are those that are used to treat patients with complex conditions. Very often, these are infused or injectable medications.

They typically have strict storage and handling requirements. That said, specialty pharmacies do much more than just dispense drugs. We provide highly specialized patient care. We have teams of clinicians, pharmacists, nurses and more, who provide around-the-clock care for patients. Some drugs in specialty need to be infused into a patient 24/7.

Even a lapse in treatment of just a few minutes can lead to catastrophic medical consequences. On top of that, these medications are also often quite costly. Many specialty drugs can cost hundreds of thousands or millions of dollars per patient. As a result, patients need a specialist. We are that specialist. Over the next half hour or so, Heather and I are going to go in much more detail about the significant opportunity we have in specialty and why we are the leaders in this space.

First, I'm going to talk about the overall growth opportunity, the different segments of the market and how we compete in those. Then Heather is going to come up. She's going to talk about the importance of specialty to our clients. She'll talk about their needs and how we're innovating to address those needs. Then I'll come back up. I'll talk about our differentiated capabilities and why we are the market leaders. What we hope you take away from our presentation this morning is that the specialty market is large. It's growing quickly, and we are the leaders in this space. We have differentiated assets and capabilities. These are very difficult to replicate.

With that, let's dive in. The overall growth opportunity within specialty is significant. Specialty drugs are an over $400 billion market. To put that number in context, that is larger than the market for individual Medicare Advantage. Specialty drugs are also growing faster than the individual Medicare Advantage market. That growth will be fueled in part by a wave of complex drug innovation. Consider that last year, over 70% of the drugs approved by the FDA were specialty drugs. We expect this growth to continue. We expect that the market for specialty drugs will more than double over the next decade.

Because of our unique strengths and capabilities, we believe we will grow faster than the overall market. Within the $400 billion specialty market, patients can be treated under their pharmacy benefit or their medical benefit. The pharmacy benefit part of the market is about $240 billion of the $400 billion. It typically includes treatments which are self-injected or treatments in a patient's home. Examples here include drugs covered under Medicare Part D, like HUMIRA. We are leaders in this space through our specialty pharmacy, Accredo.

Accredo treats over 1 million patients, with over 7 million specialty prescriptions annually. At Accredo, we serve about 1/4 of the pharmacy benefit part of the market. What makes us unique at Evernorth though is that we don't just serve the pharmacy benefit part of the market. We also serve the medical benefit portion. That part of the market is about $160 billion of the $400 billion. It typically includes treatments in a physician's office or a hospital. Examples here include drugs covered under Medicare Part B, like oncology infusions.

We compete in this space in a number of different ways. Accredo treats patients under the medical benefit, but we also compete here by serving health care providers. Our specialty distributor, CuraScript, serves over 12,000 health care providers. We deliver complex medications to physicians' offices to hospitals health systems and infusion centers. We also recently expanded our reach in the medical benefit space through our investment in CarepathRx. Carepath serves over 700 hospitals, health systems and their providers and provide specialty pharmacy and infusion services on their behalf.

We continue to expand our reach, both organically and inorganically in the medical benefit space. The combination of Accredo, CuraScript and CarePath, offer something unique in the market. We treat patients end to end. We can do this regardless of which benefit they use, we can do this regardless of where they access their care. We are the only company with broad capabilities across the entire specialty market, pharmacy and medical.

One other note about our growth opportunity. We serve a balanced portfolio of clients. That includes employers, health plans, health systems, and pharmacy benefits organizations. About 40% of Accredo's revenue comes from sources outside of the Cigna Group. That means we grow when the Cigna Group grows, we also grow through other customers as well.

Now there are a lot of different ways that we can break down the specialty market. One of the ways that we think about it is based on the disease a therapy treats. On one end of the spectrum, some specialty drugs treat higher prevalence conditions like rheumatoid arthritis, MS, endocrine conditions. It's in this space where we'll see the vast majority of biosimilars. Much of the focus in biosimilars has been on HUMIRA. Understandably so, HUMIRA is one of the top selling drugs of all time. Its costs have increased by more than 40% over the past 5 years.

Throughout the rest of this year, we'll continue to see additional biosimilar launches for HUMIRA. That creates competition and we can use that competition to drive savings for clients as well as for our patients. With that in mind, I'm excited to share some news with you all today.

Later this year, we plan to have a biosimilar for HUMIRA available at Accredo with no patient out of pocket. That's a biosimilar for HUMIRA available at Accredo, $0 patient out of pocket. We expect that to translate into over $60 million of patient savings annually or about $3,500 per patient.

We can do this because of the capabilities we have at Evernorth as well as across the broader supply chain. Now all of that said, the opportunity within biosimilars extends beyond HUMIRA, by 2030, we expect that about half of the top 25 specialty drugs will face competition from a generic or biosimilar. That translates to an over $100 billion annual market opportunity. To put that number in context, there is more value going generic or biosimilar over the next 5 years than there is in HUMIRA.

We will use our proven clinical capabilities to drive greater affordability for clients and patients. And because of our alignment when they win, we win, and that helps fuel our growth as well. On the other end of the spectrum, other specialty drugs treat more rare conditions, like hemophilia, pulmonary arterial hypertension, spinal muscular atrophy. These drugs tend to treat a smaller number of patients. So they're typically lower volume but much higher cost per claim.

We expect this part of the market to grow significantly over the next 5 years. There is a robust pipeline of rare therapies coming to market. Last year, over half of the drugs approved by the FDA had a rare or orphan drug designation. Gene and cell therapies treat conditions in this space. There are 21 gene and cell therapies currently on the market, but there are nearly 1,000 more in development. Each and every one of these drugs can cost hundreds of thousands or millions of dollars per patient.

The opportunity within specialty is significant. Our patients, clients and health care partners need our help more than ever before. With that in mind, I'm going to turn it over to Heather who, in her role leading strategy and solutions for Cigna Healthcare is going to talk about the importance of specialty to our clients. She'll take an employer lens. She'll talk about their needs and how we're innovating to address those needs.

Heather, I'll turn it over to you.

Heather Dlugolenski

Hello, everyone. My name is Heather Dlugolenski. I lead strategy and product for Cigna Healthcare's U.S. employer business, which provides services across medical, behavioral health and pharmacy solutions that the majority of our clients buy as an integrated package in order to maximize clinical outcomes. Now my role involves assessing our stakeholders' unmet needs and then designing innovative solutions that meet them and differentiate ourselves in the marketplace in doing so.

Oftentimes, we use strategic partners to accomplish our objectives. So another key part of my role is determining which strategic partners are the very best in the business for us to do business with. We leverage Evernorth and Accredo as strategic partners on behalf of our stakeholders' needs. I'll talk about how we do that. But before I do, let's step back and talk about what these needs actually are. Now in U.S. employer, we serve various sizes of employers across various industry sectors. That said, a top priority on the minds of all of our employer clients is reducing the cost of care.

You heard Bryan talk about this already. And specialty is a top contributor to their spend. When you look further, you'll see this actually is not surprising because today, only 2% to 3% of the population actually has a specialty condition, yet they account for 1/3 of the total cost of care.

To put that further into perspective, that means that a patient with a specialty diagnosis can cost 20x more than a patient that doesn't have a specialty diagnosis. And as you already heard from Matt, these patients and their associated therapies can cost in the millions of dollars and that is per patient.

Now it is more than cost. Another priority need that our employees and clients keep in mind, is best-in-class clinical expertise, which is imperative in the specialty space because many of these medications are not easy to take. They require the support of nurses. Patients need to be educated on their medication, and they need to consult with an expert in their disease state in order to stay on track. So a robust care model is critical to ensure that the medications that physicians are prescribing to their patients are taken and adhered to properly.

Now in addition to clinical expertise, our employer clients are focused on having differentiated access to specialty therapies and they care a whole lot about the experience that their employees go through when obtaining their therapy and getting the care that they need. As it relates to access, because of their complex nature, not all players in the industry have access to all specialty therapies. Said another more direct way, not all pharmacies carry all specialty drugs.

Matt will unpack this further soon, but our employer clients are looking for a differentiated partner that has access to all of the innovative specialty therapies that are hitting the marketplace and helping people. As it relates to experience, let's just think about what these people are going through. They've just been diagnosed with a life-altering disease such as cancer. They are scared.

They are overwhelmed. They're having to make new types of decisions about a new treatment plan, understanding how and where to access their new therapy, whether they can uphold work obligations and they just want to be with their family. So as you can see, my team and I, we are responding to a broad, yet pretty intense, set of needs, and our employer clients are looking for a full-service comprehensive specialty solution. And I mentioned, we are leveraging Accredo as the best strategic partner in the business to help us.

Our Pathwell specialty solution is a really good example of this in motion. But stepping back, our Pathwell solutions suite was designed to attack health care's most complex and costly conditions through extending high-performing care. Pathwell Specialty is a program inside that broader suite. No surprise, we started with Specialty Therapies. The value proposition is to reduce the cost of specialty therapies, improve the care experience of our specialty patients and improve their clinical outcomes. Okay, so does Pathwell specialty do that. Well, when a patient is treated by a nurse for an injection or an infusion, the cost of these infusions can range quite dramatically, depending on where the drug is administered, okay?

So some more expensive sites of care can charge hundreds of thousands of dollars, that's hundreds of thousands of dollars more than what other sites can charge and that's to administer the same exact drug. That's why in our Pathwell specialty program, we have built a dedicated network of 28,000 high-performing cost-effective providers nationwide. And through our Pathwell specialty program, we are able to guide our specialty patients from excessively expensive sites of care to more cost-effective and convenient solutions. And sometimes these solutions are in the comfort and the convenience of an individual's home.

To that end, in this program, we are seeing that 50% of the time that one of our specialty patients changes their access point. They end up accessing that care in the comfort and the convenience of their own home. And that is where Accredo nurses come in and they deliver a best-in-class clinical care experience, which Matt will unpack also in a minute. But if I just take a moment to say, what's the value of having any care experience in your home. A recent study showed that complications were 1/3 less in cancer patients accessing the drug Neulasta in their home when compared to what it would have been if it was in an alternative location.

When complications are lower, savings are realized in the form of avoided expensive hospitalization stays. So this type of solution could not exist as differentiated as it makes U.S. employer as a business if Accredo was not our strategic partner. To take that one step further on why, we find that when a patient is treated by an Accredo nurse in their home, the cost of their specialty therapy can be 50% less than what the cost of that therapy would have been if it was in an alternative outpatient setting. And again, that's for the same exact drug.

We also find that Accredo has higher adherence rates than other care delivery like organizations that they compete with in the marketplace. Higher adherence rates lead to better cost of care as emergency room visits are eliminated, hospital stays are reduced or eliminated and so much more. So we see a very bright future of growth in front of us. Today, Accredo only serves about half of U.S. employers specialty spend. Our cross-enterprise leverage growth opportunity in the future is powered, yes, by U.S. employers secular growth, but more importantly, through market share expansion as Pathwell Specialty continues its growth and its reach, combined with Accredo's specialization and caring for specialty patients.

In summary, our employer clients are looking for a full service, comprehensive specialty solution fueled by industry-leading partners. Our customers with complex needs are craving, personalized support just like they get in a doctor's office, and Accredo delivers across all of these requirements for us.

Before I turn it back over to Matt, I actually am going to queue a video. That video is intended to give you some broader context into the capabilities that Accredo has in caring for specialty patients. that U.S. employer is leveraging and Accredo extends into the broader marketplace. As you watch the video, I want you to watch for 3 things: one, just how complex these patients' needs are; two, the breadth, the depth and the specialized capabilities that Accredo has to serve them; and three, just how difficult it is to replicate this. Let's roll the video, please.

(presentation)

Matt Perlberg - *The Cigna Group - President, Pharmacy & Care Delivery at Evernorth Health Services*

Thanks, Heather. As you saw in the video, Specialty is different than traditional pharmacy. It's more like the care you receive from a physician versus picking up a prescription at a retail pharmacy. We are the leaders in this space, we have differentiated capabilities. I'll highlight several of them. The first is our clinical expertise. As you saw in the video, at Accredo, we organized patient care by disease state. We have 15 therapeutic resource centers or TRCs, where our clinical teams, pharmacists, nurses, dieticians, social workers, specialized by disease. We organize this way because this gives us the benefits of being large and small.

We have a deep level of specialization but we deploy those capabilities nationwide. That deep specialization at a national level matters. Consider the example you saw in the video, pulmonary arterial hypertension, or PAH, a typical retail pharmacist, they might see 1 PAH patient in their entire career. Our clinicians, they treat these patients every single day. That precise care is further enabled by our deep scaled longitudinal patient data. There is not another model that exists like ours. This is something we've built and honed literally over decades.

A second key differentiator is our comprehensive drug access. In the specialty space, manufacturers will often choose 1 or a limited number of partners to treat patients on their products. These drugs are very complicated. Manufacturers cannot risk choosing the wrong partner. They need a partner with best-in-class clinical capabilities. They need a partner with broad national reach, they need a partner with the wide variety of patient services needed to treat patients. The success of their drug depends on it.

Most companies do not have these capabilities, we do. That's why at Accredo, we are the leader in access to limited and exclusive distribution drugs. We have access to over 98% of the specialty drugs on the market today. That is more than any one of our competitors. You may remember that earlier I mentioned that about 40% of Accredo's revenue comes from outside the Cigna Group. This is part of the reason why Payers want a partner with best-in-class access whether or not they partner with other areas of the Cigna Group. A third key differentiator is our owned assets and capabilities. You saw many of these in the video, 28 care delivery sites, that's one of the largest footprints in the industry, 4 total clean rooms.

These are highly sterile environments where we safely mix some of the most complex drugs. This makes it much easier and much safer to treat patients in their home. These clean rooms are very difficult to replicate. Each one takes about 3 years to build and fully license. Those licensing requirements are quite strict. They have to be staffed by highly trained specialized pharmacists. The vast, vast majority of competitors do not have a clean room. The very few that do, they might have 1. We have 4 of them. They are deployed across the country so that we can reach patients nationwide.

Our clinical model also includes our team of over 600 field-based infusion nurses. These are highly trained, specialized nurses. They are experts in their field. They cover nearly the entire United States. Unlike most of our competitors, we employ our nurses directly. This leads to a much better and more consistent patient experience. Our patients, they get to know their nurses. They trust them. Some have even referred to their nurse as like a member of their extended family. That leads to better patient care.

A final differentiator that I'll highlight is our innovation and partnerships. I mentioned earlier that we compete in the pharmacy and medical benefit spaces and we compete through Accredo, CuraScript and Carepath. Together, these businesses are more than the sum of their parts. We have the most complete offering in the market. Let me give you a couple of examples. Earlier, I mentioned that Accredo is the leader in access to limited and exclusive distribution drugs. Well, CuraScript as a leader as well. Manufacturers value that we are a one-stop shop because we can reach patients wherever they are and however they access their care.

CuraScript is also one of the fastest-growing specialty distributors and is well positioned for additional growth. Part of that growth will come from Accredo. Today, CuraScript supplies a little less than 20% of Accredo's total spend. We see an opportunity to meaningfully increase that over the next 5 years. That represents a significant growth and cross enterprise leverage opportunity for us.

The combination of Accredo, CuraScript and Carepath offers something unmatched in the market. We treat patients end to end. We can do this regardless of which benefit they use, we can do this regardless of where they access their care, a physician's office, a hospital and infusion center or inside their home. We are the only company -- the only company with broad capabilities across the entire $400 billion specialty market.

When you take all of our differentiators together, we deliver greater affordability for patients, clients and health care partners and better patient care. So I know we covered a lot.

Let me summarize a few key takeaways. The specialty market is large to an over $400 billion market. It's growing quickly. We expect the market for specialty drugs to grow in the high single digits over the next 5 years. That is larger and growing faster than the individual Medicare Advantage market. Because of our unique strengths and capabilities, we believe we will grow faster than the overall market. We are the leaders in this space. We have decades of expertise, we have capabilities that are very difficult to replicate.

Thank you all so much. Now I'm going to turn it over to Eric and Eva, who are going to talk more about Evernorth Care Services.

Eric Paul Palmer - *Evernorth Health, Inc. - CEO, President & Director*

Thank you, Matt. Well, let's recap a little bit of what we've heard so far this morning. First, you heard David talk about the overall market, and Bryan and I put some dimensionality around the addressable market in which we operate. Then you heard Adam and Bryan talk about the foundational businesses, our Pharmacy Benefit Services and the U.S. Employer business. And then Matt and Heather talked a bit about the specialty market and what makes it so unique and why we're so well positioned there.

Now I'd like to spend a few minutes on an area of emerging growth for Evernorth, our care services business. In short, you can think about Evernorth Care Services as being a portfolio of capabilities designed to get patients to the right care, at the right time and in the right location. And I'll impact a number of our capabilities here over the course of the next few minutes.

In summary, in terms of our key differentiators and the elements that power our care services business, you can think again about our clinical expertise. Using and leveraging the enterprise's overall portfolio of knowledge and information to help ensure patients get access to the right care. Our continued focus on innovation and partnership, and our approach that's capital-light and digital-first. As I said earlier, we don't need to own or to employ every element of care to get to the best outcome.

Our care services businesses are focused in high-growth subsegments. We're in about $400 billion of addressable market today. And you can think of those as being primarily made up of the behavioral space, the home-based care and our virtual care capabilities. We'd expect to expand this portfolio over time, and we'll talk about a couple of those areas as well.

Now let me unpack some of the key capabilities that exist today within the Evernorth Care Services portfolio. First would be MDLIVE, our virtual care capability. As you heard David tee up at the beginning of the day, almost 1 in 4 patients in the U.S. accessed virtual care in some way, shape or form in 2023. Our MDLIVE platform and capability is set up with 60 million customers. That's 60 million people who have an in-network benefit to access MDLIVE. And this business has continued to grow since we added it to Evernorth just a couple of years back. We've continued to add capabilities to this platform over the last number of years as well. Our virtual primary care program in 2023 alone more than doubled.

The second item -- or second capability I would call out would be our behavioral care capabilities. Now Eva Borden, who's the President of Evernorth Behavioral Health will join me on stage here momentarily and highlight a couple of the specific capabilities that we have here and why they're so important to get into the best overall health care. But Evernorth Behavioral Health today serves 23 million individuals.

We have the leading network of providers and behavioral health professionals throughout the country, more than 380,000 points of access for behavioral and mental health care. And we announced this morning the launch of the Evernorth Behavioral Care Group, which Eva will spend a few more minutes on as well. Our home-based care capabilities are an important element of helping people stay healthy or recuperate after an acute episode.

We have capabilities on the ground to provide care in the home in 48 states. And last but not least, our Evernorth Accountable Care organization is one that we built just last year and launched in 2024. We formed this organization to help bring to life our partnership with VillageMD and accentuate their already leading value-based care capabilities.

I'd like to spend a minute going a little bit deeper on our orientation on value-based care and what makes us unique. So if you step back and think about traditional value-based care, this space today is mostly focused on Medicare Advantage. It's enabled through things like capitation and through risk coding and the like. A lot of times, it's fairly tightly integrated. Our approach is unique. Our approach is not tied only to Medicare Advantage. It's not tied only to the financial mechanisms. We start with the patient and the provider. By the way, that provider is a partner. It can be village, and it is VillageMD today, but we would expect to expand that to other organizations in the coming months and years. We ramp that interaction with the patient and the provider with actionable information.

That information is enabled by our technology. And you'll hear from Noelle Eder later on this morning about how our technology and how our information assets drive different outcomes. We then connect that episode and that information with a variety of payers, now today at Cigna Healthcare. Over time, we expect that to be with additional payers. It's our Evernorth Accountable Care organization is set up to work with self-funded arrangements or fully insured in commercial contracts or in government contracts, truly enabling us to access a much wider swath of the market.

And instead of just focusing on dollars transferred back and forth, we're oriented on achieving cost of care outcomes that are better than a benchmark for the market. And through the alignment of the incentives that we can create with this model, we're set up to generate savings that go to the plan sponsor, savings that help to lower the cost of care for the patients we serve and savings that are shared with the providers that help to enable this model.

We are live today in 4 cities with VillageMD and Cigna Healthcare, and we'll be expanding this over time. The partnership orientation here is a really important element, getting to the point of convening the right care instead of avoiding care, getting to the point of aligning incentives through shared savings, all done in a way that's capital-light and consistent with our partnership approach.

In short, we're innovating for care for tomorrow. The capabilities we've assembled within care services are on the ground and they are delivering today. And this will be an exciting area of continued growth and innovation for Evernorth overall. Now I'd like to step out of the way and turn the stage over to Eva Borden, who's going to talk a bit more about our behavioral capabilities and the power of the connection that we drive within behavioral to get to better outcomes and better costs.

Eva Borden

Thank you, Eric and I am incredibly excited to share with you today a little bit more about Evernorth Behavioral Health. So you may not realize, the behavioral health is actually made up of over 150 diagnosis. Everything from common conditions such as anxiety and substance use disorder, to neurological and developmental disorders, such as autism and ADHD, to more severe mental illness such as bipolar and schizophrenia.

For the past 3 decades, we have been delivering best-in-class services across the full spectrum of behavioral health in support of our Cigna Healthcare clients. Now through expanding access through Evernorth, we will be increasing our total addressable market to be sure that we can actually increase and reach more health plans, clients and health delivery systems.

Today, we lead the industry in getting people to care quickly. That means that for our premier products, we are getting access for individuals 24/7, 365 days a year. We also have the largest and fastest-growing network across the United States. Behavioral health is key for our differentiation and how we are going to lead moving forward. When it comes to behavioral health, the demand for care is incredibly clear. The vast majority of patients struggle to get diagnosed. And even when they do, it's difficult to connect with care that's going to get them what they need. For the average patient, it takes 11 years from the onset of symptoms until when they actually get care. And too many of them just shrug off the symptoms saying, "I can manage it on my own."

Many of them start by saying, "I'm going to go and I'm going to see a doctor," which is great. Seeing a primary care physician is an excellent first start. But oftentimes, all you get is a drug. And that may not help meet the total need. And by the time someone says, "I think I'm ready, I can do this. I want help." They'll spend countless hours searching only to find no availability or 4 to 6 months before they can find an appointment. And because behavioral health is so intensely personal.

When it comes to actually matching with the right provider, they have to go through countless individuals before they find someone that's the right connection point for them. But we know that the challenge is not limited to patients. It's also a challenge for clinicians. Many clinicians struggle to meet the ongoing demand for care. There's a few drivers for that. The first one, many of the behavioral clinicians in the market actually operate in practices of only 1 to 2 clinicians.

They also don't have the technology to enable easy access such as an answering service or online scheduling. And many of them don't actually have the tools needed to measure quality and outcomes. We also hear from clients that the demand for behavioral care is a top issue. It is impacting their entire health care spend. Why is that? Because behavioral health does not happen in isolation.

Common conditions like anxiety and depression are actually tightly connected with diabetes, cancer, heart disease. Now actuality, behavioral health actually touches all areas of care. And we actually know that numerically, when you start to say, if I just look at the patients who have behavioral health needs, they actually make up over 40% of the total spend. The reality is behavioral health interventions are absolutely critical to improving health and value.

So let's talk about what this really means from a total market perspective. The behavioral health market is worth approximately $200 billion and is growing double digits over the next couple of years. We've seen in our own population, nearly double the amount of utilization over the past 4 years. That's over twice as many people seeking care. However, we know the demand is hardly tapped out because 50%, 5-0 percent of all individuals who have behavioral health conditions do not get care. Think about that for a minute.

We would never tolerate half of all people with diabetes not getting care. This means that for behavioral health, the impact on affordability is tremendous. We have been working relentlessly to expand our reach and access across Cigna Healthcare. And as a result of that for behavioral health, it is a key contributor to what has driven down our total trend year-over-year. And through Evernorth, we are expanding our reach to increase and help more health plans and delivery systems so that we are actually able to increase our total addressable market and outpace market growth.

So let's dive a little deeper into how we're actually going to achieve that. There are 3 key elements that we believe differentiate us from the industry and enable us and demonstrate our comprehensive and innovative approach: number one, always on human-centered guided access. While we are technology-led, we actually put humanity at the center of everything we do. This means individuals can access care through chat, phone or video, that's in the moment, real-time access to care and not only that, but we actually use that to enable a better connected and matched experience for our patients.

Number two, connected data and insights by tapping into the full power of Evernorth Health Services, we are actually able to dive deeper and go broader in harnessing the power of medical, pharmacy and behavioral data along with predictive analytics so that we can deliver earlier insights, better connected care and measurable quality and outcomes. And three, we offer comprehensive clinical expertise. Behavioral health is not one-size-fits-all. From stress to schizophrenia, anxiety to anorexia, seasonal depression to substance use disorder, we actually offer comprehensive programs tailored to meet the needs of our customers and our patients.

And across our health care providers, we actually partner with them to track key metrics so they can focus on delivering the best care they can do. And in addition, we have over 40,000 clinicians who are in value-based arrangements today. What this all means? This unique combination of differentiators means that we are better poised than anyone else to be able to actually connect people to behavioral care. And we are so passionate about it that what we've done is actually have 100% follow-up rate.

So for any of our patients who need care, we actually make sure we follow up with them. And if the clinician that they originally match with is not the best match, we will rematch them because we are so committed to driving outcomes. One of the things that I find most interesting is the fact that the impact of behavioral health is actually financially undeniable. I'm incredibly proud of our research that is uncovered that if for an individual that gets care within 1 month as opposed to waiting 4 to 6 months, there's a 15% reduction in medical costs. In addition, if an individual gets 3 or more visits for behavioral health care to see a therapist, -- it's actually the earliest and lowest cost intervention. We can reduce medical costs by 20%.

And for those with the higher acuity conditions, it actually results in a 40% reduction in medical costs. And while I love the math, and I think it's great. The reality is all of this means that we get patients to care and when the right type of patient gets to the right type of care, they can live happier, healthier, more predictable -- or more productive lives, which actually means we're delivering on our promise of vitality. So we are not stopping there.

We are going even further to deliver on connected behavioral care. Today, we launched -- or we announced the launch of the Evernorth Behavioral Care Group. I am incredibly excited about this because this is a critical step to advancing access to quality because this is a critical step to advancing access to quality in network behavioral care and advancing value-based arrangements. Through the Evernorth Behavioral Care Group, we are going to accomplish 4 things: number one, we are going to enable access to care within 72 hours.

Industry average is 48 days, and we're going to do it with online scheduling. Number two, we are going to track key quality and outcome measures, which means we are going to hold ourselves accountable for driving outcomes. Three, for our clinicians, we are going to be substantially reducing their administrative burden so they can partner with more payers and actually focus on delivering the best care possible.

And finally, while we've launched with over 1,000 clinicians, we are going to be nationwide by 2025. All of this combined means that we are advancing the experience for those who are seeking behavioral care. And ultimately, through this, we are going to be delivering 3 really important things: an improved patient experience and improve clinician experience and an improved client experience. So I want to thank you for that. And with all of this, we are actually going to turn it over to a break. Thank you.

(Break)

Operator

Hello, everyone. Please take your seats. Our program will begin in 5 minutes.

Noelle K. Eder - *The Cigna Group - Executive VP & Global Chief Information Officer*

Good morning. Good morning. I'm Noelle Eder, Global CIO for the Cigna Group. It's nice to be with you all today. I hope you enjoyed the break.

As you heard this morning, as an enterprise, we're deeply committed to delivering a better future by improving the health and vitality of those we serve. That future is built upon unprecedented levels of personalization, analytics and connectivity that allow patients to receive the best care at the right moment, in the right place for them. And technology is foundational to that future. Now we all know that today's health care system is impersonal. It's fragmented and it often results in suboptimal outcomes.

What I'd like to share with you today is how our technology strategy calls forward data and insights from across our lines of business to deliver high-quality, personalized, predictive, real-time health care experience. This approach leads with technology and is supported by physical care, which is very different than today's model, which is physically led, partially accommodated by technology and results in fragmented data. We've envisioned our technology and more broadly, our company through a very different lens.

One that allows us to adapt and lean into changing market needs and expectations and compete on our front foot in what is a very dynamic market. And I'm excited to announce that we're going to bring all of this to life through our new digital health platform called the Evernorth Digital Health Kit. And I'm going to talk about that in more detail in just a moment. But what I'd like you to know now is that the Digital Health Kit is both a technical platform and an experienced platform that allows us to fulfill on a core belief that technology is a key part of every patient's health care team informed by data, guided by the clinician and dedicated to the patient.

I'd like to describe today what we've done and what we'll continue to do to modernize these capabilities. I'll talk about how they're differentiated and ultimately, the outcomes we expect from the work. So let's start with the web. We're committed to not just improving the health care experience but transforming how care is accessed guided and coordinated for the benefit of the patient. Technology and data are the backbone of our ability to do that. They allow us to create dynamic personalization at the individual level, which combats fragmentation and care. Now let me be clear that personalization is not just a onetime shot at bringing together disparate fragments of a health care system. Rather, it's the ability to continuously adapt to the individual at each touch point, whether that's digitally connecting with the care team or calling customer service.

We've designed our technology and aggregated rich data sets to respond to an individual's changing needs. We can orchestrate, call upon and connect the specific services and resources an individual might need at any given time or place, including pharmacy services, primary care access, virtual urgent care, behavioral health care and benefit navigation. The health care has a specific purpose. It's designed to leverage data and analytics to identify or anticipate a patient's individual need and then offer access to and coordinate next steps in the health care journey, which could include patient education, suggested clinicians or any next best action determined by the care team.

As I've mentioned, the Evernorth Digital Health Kit is both a technical platform and an experience platform, where different elements can be turned on or off depending on what's important to a client or to a consumer. And that allows the experience to take different forms, which is foundational to its flexibility. Taking it one step further, the health care rethinks how patients engage with the health care system and in particular, how they meet their provider. No matter the channel, we can support, orchestrate and connect these interactions through this platform.

Now there are 3 key factors that, when combined, differentiate our approach to care in the marketplace: first, you've heard quite a bit about this today, the data. We have access to rich longitudinal, cross-disciplined data across medical, pharmaceutical and behavioral health, and rich interaction data across a multitude of touch points and channels. With the patient's permission, we can connect data across these disciplines and channels and identify patterns that help us engage with the individual and predict events or needs.

Now this is especially important at this moment given the rise of new capability in artificial intelligence. But honestly, whether we're talking about machine learning, deep learning or generative AI, we now have the ability to be more precise and more predictive. Second, we've constructed our technical capabilities to be composable rather than monolithic and rigid or built for a singular purpose. This technical architecture gives us the platform to construct flexible contextualized pathways and connection points for patients to engage with their benefits or with their care team. And this platform is extensible. And what that means is that we can add to it, we can modify or change its componentry with relative ease and speed, and that allows us to compete again in a very dynamic market.

Third, we're able to meet each person with what they need, where and when they need it. We don't have to force patients into a less of an ideal care setting because we have capital-light, partnership-oriented dynamic model.

The optimal patient outcome drives our model, and we have a multitude of ways to deliver that. We don't have to feed a certain provider model to make the economics work. We can offer personalized care across digital, virtual and physical sites of care.

Our ecosystem is driven by high-quality health care outcomes, delivered efficiently and effectively. That is carried its best and it offers our clients the effectiveness and efficiency they need. As I've mentioned, the future of care is evolving, powered by advanced analytics complemented but not encumbered by physical sites of care.

This is very different than the physically led model that's barely accommodated by technology today. We already have and will continue to invest in the key pieces to bring this future to life. As an example, we can convert episodic virtual urgent care to longitudinal virtual primary care with more than 60 million members and 2.2 million MDLIVE visits last year. This is, again, especially important as we think about bringing Gen AI into this space to unlock new levels of efficiency in pursuit of improved patient and provider experiences.

We now have the ability to process enormous amounts of unstructured data and do things like translated into clinical summaries in real time and offer to our providers for review and approval. This has saved significant after-visit time for our MDLIVE providers, allowing them to spend more time with patients. And when you think about advanced data techniques in the context of a care setting, there's a significant difference when you're receiving primary care or virtual care at your convenience, if the provider has the context and details of your health history, more time to spend on your individual needs and can leverage technology and their own expertise to guide your care.

Now we also recognize that virtual care is not the right path for every patient, and that's where we leverage our networks and our partnerships like VillageMD to get patients to the best site of care for them. And when they get to that site of care, their experience is driven by the same data and analytics, the same insights that brought them to that site in the first place. So the experience is contextualized and patient-centered and care is coordinated. Doing this well will bring forward a health care ecosystem that focuses on vitality through the consistent delivery of high-quality health care outcomes.

So let's roll the video that brings to life how we convene these capabilities.

(presentation)

Noelle K. Eder - *The Cigna Group - Executive VP & Global Chief Information Officer*

What you've just seen is built to be nimble, it's not a product as you would traditionally think of one. Rather, it's a flexible platform, which is to say it's a collection of reusable services and composable capabilities that allow us to stand behind our businesses and power their ability to pivot in line with the evolution of the market and stakeholder needs.

And it was architected by our team of experts who have experience in health care, but also in digital platforms and in advanced data science from financial services, CPG and software companies, all of which drives our differentiated capabilities. And we're already in market with new offerings that make use of these flexible reusable services in many different ways, personalized by patient and provider and orchestrated differently based on the context for care and the needs of our clients and lines of business.

So let me try to bring this all together for you. When you heard Brian Evanko this morning, talk about innovation and affordability on behalf of our clients and their employees, this is powered by the Health Kit. When you heard Eric Palmer talk about seamlessly enhancing connectivity and experiences, delivering better outcomes and affordability, this is powered by the Health Kit. And when you heard David this morning, earlier this morning, talk about insights we can glean from longitudinal data sets to power personalized experiences in a best-in-class engagement model, this is powered by the Health Kit.

As David mentioned this morning, health care has changed tremendously in the last 10 years. And it will evolve even further over the next 10 years. And while this future may be very different from the past, we're excited for it. And we think we're incredibly well positioned with the extensible platform and the advanced analytics that will power it. When technology is an integral part of the care team, care is better for all, simple, smart, connected, personalized and available on demand, all in service of better health outcomes and most importantly, the people who are at the heart of what we do every day. Thank you. And with that, I'll turn it over to Brian Evanko to discuss our financial commitment.

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

Thank you, Noelle. It's good to be back with you again today. We're in the home stretch. So this is the final module before we get to all your questions and answers. And I hope you found the morning helpful from the standpoint of looking at how we view the company addressable markets, the secular growth opportunities in front of us, the market share gains that we anticipate as well as opportunities to expand our reach. I also hope that the excitement and optimism that each of our leaders has was really evident to you because we're confident in the future, excited about the numbers I'm going to walk you through right now, which I know you've been waiting for, and ready to perform.

So hopefully, that was really evident to you. I'm going to start by taking a look back before we look forward. So over the past 10 years, as David shared, we've had compounded EPS growth in excess of 13%, which is higher than our long-standing EPS growth commitment of 10% to 13%. So we performed above that over that 10-year period. Additionally, we introduced a sizable dividend in 2021 and that now yields 1% to 2%, which offers additional total shareholder return over and above the income power that's underneath the EPS growth. Now I realize past performance is no guarantee of future results. However, it's an important jump-off point for us as we think about the future.

And you heard from all of our leaders this morning about the multiple avenues we have for growth. And so we're really excited to introduce a new EPS growth commitment going forward of 10% to 14% across the company, which is powered by the mix of foundational and accelerated growth businesses that you heard about today, the outsized growth opportunities we have in the Specialty and Care Services business in Evernorth. And the continued durable growth we anticipate from our U.S. Employer business in Cigna Healthcare as well as the Pharmacy Benefit Services business within Evernorth. So our company is comprised of the 2 high performing balance growth platforms of Evernorth approximately 60% of our income, Cigna Healthcare about 40% of our income.

You heard from each of our leaders today talk about in their respective businesses or their respective addressable markets, why we have a differentiated right to win. And you heard differences in terms of why we win by business? Because each business is different. We serve different buyers. We serve different addressable markets. But there were some common themes that I hope you all heard today.

One being our clinical expertise and our longitudinal data is a consistent thread through all the businesses. So the 20,000 clinicians that we employ across the company who are experts in their trade. You heard about it from Matt Perlberg multiple times, right, as he talked about the 600 home infusion nurses that we have, the 4 state-of-the-art clean rooms, the 500 pharmacists, the 15 TRCs, all those things. That's a care delivery business with clinical expertise to win in our Accredo specialty pharmacy.

You just heard from Noelle who did a great job explaining how the Evernorth Health Kit is a data analytics and informatics capability that forms the backbone of just about every offering that we have in Cigna Healthcare Evernorth. That's clinical expertise and longitudinal data.

Secondly, we have a relentless focus across the company on value and affordability. So you heard from Adam Kautzner, who talked about in the Pharmacy Benefit Services business, how our supply chain excellence and our use of free market competition amongst drug manufacturers allows us to reduce net costs for our clients and customers on a sustainable basis better than anyone else. You heard about from Bryan Holgerson in the

U.S. Employer business, how we have a multifaceted approach to affordability in our health benefits business, improvements in unit costs, site of care optimization, targeted clinical programs. All those things serve to improve the total cost of care for our Cigna Healthcare clients and customers.

And then finally, we have a culture of innovation and partnership. So this came through, hopefully, in a few different ways, as you heard about things we're doing. Heather Dlugolenski talked about in the Cigna Healthcare platform, how we partner with Accredo to bring the best capabilities through in our Pathwell offering for lower cost, more convenient, clinically equivalent sites of care to reduce the cost of those high-cost specialty drugs. You heard about, from Adam, some of the partners we have in the Pharmacy Benefit Services business who, by conventional wisdom, would not be viewed as those who would want to work with us, right?

Conventionally, they'd be viewed as competitors to the Cigna Group. We view them as partnership opportunities, whether that be Prime Therapeutics, Kaiser Permanente, Centene, multiple examples of that where our buyer groups are broader than what conventional wisdom might tell you.

In this culture of innovation and partnership, for me, it's all 70,000 of our colleagues. If you talk to any one of them, you would find the language they use, what they're focused on is all about innovation and partnership.

So let's hop into some numbers. Looking back at 2023, the Cigna Group had a very strong year. Our revenue and our adjusted EPS were both ahead of our initial expectations meaningfully. And throughout all quarters, we delivered against our commitments with Evernorth exceeding expectations even in a year where we spent a meaningful amount of money preparing to onboard Centene. We delivered income that was in line with our long-term growth expectations. Cigna Healthcare, our income was ahead of expectations, and the medical care ratio was better than what we expected coming into the year by some 70 basis points at a time where the broader market was quite disrupted as it relates to MCRs and medical costs.

And so this gave us strong momentum as we stepped into 2024. And last month, alongside our fourth quarter release, we introduced our initial guidance. Revenue growing 20% this year, 20% revenue growth on an already large base. EPS projected to grow 13% and we continue to generate a lot of cash flow from operations. We expect at least $11 billion of cash flow this year with strong growth in segment income from both Evernorth and Cigna Healthcare here in 2024.

Now as we think about the 2 growth platforms, I'm going to spend a little time just digging into each of them in the specific numbers. For Evernorth, we've got an exciting announcement for you today. This is exciting by CFO standards and maybe investor and analyst standards, maybe not friends and family standards, but it's exciting for us. And so starting with our first quarter release, we're going to have incremental disclosures available to help you understand and see more tangibly, the 2 subcomponents of Evernorth that Eric, Adam and Matt talk through this morning. And so again, it's roughly 50-50 in terms of the contribution to Evernorth, but we're going to allow you to see every quarter now revenue and income for those subcomponents.

You'll see that in our quarterly supplement, every quarter starting with the first quarter results in early May. So again, this will allow you to see the durable growth in Pharmacy Benefit Services and the outsized growth we expect in Specialty and Care Services.

Now stepping back. At the overall segment level, we expect Evernorth to grow 5% to 8% per year annually moving forward. That's higher than our previous expectation of 5% to 7%. So we're proud of the growth we've already put up and pleased with the ability to raise the ceiling on our growth outlook going forward. You also noticed we've refreshed the segment margin expectations for Evernorth. They're now 3.5% to 4.5%. That's slightly below our prior target margin expectations driven entirely by the large new client wins we've had over the past couple of years. And is the case with just about any business, larger clients tend to have a lower percentage profit margin than our book average. So the weighted average of that works out to 3.5% to 4.5%.

Now Eric Palmer talked about earlier, this is since the Express Scripts acquisition, the fourth time that our growth algorithm has been raised in Evernorth. And so the bubbles that you see on the chart are meant to be relative revenue size over time. So the light green bubble represents the fact that we now have some $90 billion more of Evernorth revenue than we had 5 years ago. And despite that, we have a higher percentage growth expectation going forward. So that may seem a little counterintuitive to have a higher percentage growth rate on a high absolute revenue number.

The reasons for that are -- we see the continued strong durable growth in Pharmacy Benefit Services that uncovered, strong secular tailwinds in the Specialty and Care Services platforms that we talked about earlier, market share gain opportunities that we have and the specialty pharmacy, in particular, but across all the segments. And then opportunities to expand our addressable market, our reach, particularly in the care services platform within Evernorth.

Now within the specific subcomponents for Pharmacy Benefit Services, we expect 2% to 4% average annual growth, consistent, durable, steady growth in this business. Most of that will be secular in nature. We have some targeted opportunities to expand buyer groups and expand partnerships that could add an additional 1% to that growth rate. Now within the Specialty and care services platform, this is our accelerated growth business within Evernorth.

Matt Perlberg talked about specialty pharmacy today, is a larger addressable market than the Individual Medicare Advantage market. Specialty pharmacy is larger than Individual MA today and it's growing faster. Hence, 7% to 9% secular growth expected in the specialty pharmacy space. And we see up to 2 percentage points of additional growth opportunity through targeted market share gains as well as expansion of buyer groups. All in, our specialty pharmacy business is expected to grow 8% to 11% annually off of an already large scale business.

The care services platform that you heard about from Eric and Eva Borden, 10% to 15% average annual growth, high secular growth, coupled with our opportunity for share gains and addressable market expansion over time. So blended together, we expect 8% to 12% average annual growth on this subcomponent of Evernorth. And again, you'll be able to track this every quarter, starting with our first quarter results.

Now flipping over to the Cigna Healthcare part of the company. which is, again, our health benefits business comprised of U.S. Employer, IFP and International Health. We expect 7% to 10% average annual growth going forward in this business. That's slightly below our prior expectation driven entirely by the pending divestiture of our Medicare Advantage business and our other Medicare businesses to HCSC.

Relatedly, we've refreshed the target margin range for this segment. The 10.5% to 11.5% target margin range is higher than our prior expectations, which is, again, entirely driven by the removal of the Medicare businesses, which had a lower target margin than the balance of the Cigna Healthcare book of business. Drilling into the subcomponents for U.S. Employer, you heard from Bryan Holgerson about the opportunities we have to continue growing in this space going forward. And we expect 4% to 6% secular growth, coupled with up to 2% of market share gain and addressable market expansion, most of which we expect to transpire in the Select segment, where we're underrepresented with just 7% share.

So all in, we expect 6% to 8% average annual growth in the U.S. Employer business, which is consistent with our prior expectation, and it's consistent with what we've delivered historically. In the Individual and Family Plans business, we expect 10% to 15% average annual growth, which is comprised of secular plus for us deeper market share in the existing geographies we're in as well as opportunities for targeted expansion into new geographies.

Since we're only in 14 states as of now, there are opportunities for us to grow in a thoughtful way going forward in this business as well. And then the final component of Cigna Healthcare is our International Health business, proven to be a steady, durable contributor over a long period of time, attractive sustained margin profile due to the differentiators that it has. We serve multinationals, we serve globally mobile individuals. We serve IGOs and NGOs. We expect this businesses to grow 8% to 10% on a go-forward basis.

So when you step back from all of this back at the company level and our management team knows this is my favorite slide because it shows the entire picture on one chart. If you look at the pie chart in the upper right, the blue bar represents Cigna Healthcare, our health benefits business. It's about 40% of our company's income today. And we expect 7% to 10% average annual growth going forward, in line with what we've delivered historically, targeted share gains plus secular growth.

Moving to the first light green, if you move clockwise on the chart, you'll see the specialty and care services subcomponent with the Evernorth. This is the accelerated growth component of the Evernorth portfolio, about 30% of our enterprise income, we expect to deliver 8% to 12% average annual growth in this business going forward. High secular tailwinds, high secular growth plus opportunities for us to take company-specific market share gain.

And then in the upper left, the pharmacy benefit services business. This is about 30% of the company's income today. We expect 2% to 4% average annual growth from this durable steady contributor going forward. And most of that is secular growth oriented.

So looking at this more mathematically, if you kind of take the sum of the parts of the different pie wedges that I just went through there, you get all in enterprise income annually expected to grow 6% to 9%, which is slightly higher than our previous expectation. That higher growth is predicated primarily on the specialty and care services business, which is 30% of the company, growing at an outsized rate given the strong secular tailwinds and the opportunities we have as a company to capitalize on our differentiated positioning. Now that was income.

I'm going to now move into capital deployment and then pull it through to EPS. So we're fortunate to have a franchise that generates a lot of cash. So the last Investor Day we had, was a couple of years ago now, we told you at that time, we expected $50 billion of cash flow from operations over the next 5 years. We now expect $60 billion over the next 5 years. So even more cash generation, the company has gotten bigger. We have more income.

Our cash flow would grow directionally in line with our income. So $60 billion over the next 5 years of cash from operations, which gives us a lot of optionality for deployment purposes. First

and foremost, you heard from David Cordani this morning, internal reinvestment. So we would expect 20% to 25% of those dollars to be redeployed in CapEx, much of that going to technology capabilities, surplus to fund our growth in our regulated businesses and other internal needs. So 20% to 25% job 1 is internal reinvestment. We've committed to paying an attractive shareholder dividend going forward.

This is about a 20% payout ratio of our income, and that equates to 15% of the cash flow from operations use of these capital deployment. So 1% to 2% yield today, additional shareholder return opportunity over and above the income growth that we've delivered here.

Now the final wedge of this pie chart is the white one and 60% to 65% of our capital that's available for deployment, we expect to be more fungible, fungible between strategic M&A, share repurchase and debt repayment to maintain our 40% debt-to-capital target. Now we don't specifically earmark funds for M&A or specifically earmark funds for share repurchase because we view these dollars as competing with one another.

And at any given point in time, we may choose one lever over another. Importantly, they're all aspects of our capital deployment framework. And you've seen over the past 5 years, we've returned some $30 billion of capital to shareholders because we deem that to be the best use of capital at that time period.

All in, this converts through to 4% to 5% of average annual EPS accretion, which is additive to our income commitments. And I'm sure you're all curious about what are our M&A priorities and our M&A framework. What you see on the screen is meant to be a timeless framework that has guided the company's actions historically, guides them now, and we'll guide them in the future. What do I mean by that? These are the 3 things we look at when we assess any M&A opportunity. One is it's strategically aligned with where our company is headed. So everything you heard throughout the day today gave you an outline of what we're interested in strategically where we're focused. Secondly, is it financially attractive?

And for us, financially attractive means a few different things. It means is it accretive to EPS over time? Does it deliver an attractive return on capital relative to our cost of capital. Does it allow for reasonable visibility to delevering if we have to use debt as part of the transaction. Those are the things that we assess and every single transaction that we look at is unique and needs to be viewed through those lenses.

And then finally, does the acquisition have a high probability of close. So this means our relationship with the counterparty. Do we have a high probability of close, and does the regulatory environment yield a high probability of close? Those are the 3 things that we look at as it relates to any M&A opportunities.

We've used this framework to guide us historically, and we'll use it going forward. So as we sum up all the different numbers I just walked you through, this chart attempts to do it on a single page. 6% to 9% average annual income growth, coupled with our strong cash generation, which allows for accretive capital deployment of an additional 4% to 5%, aggregates to a 10% to 14% average annual EPS commitment going forward.

That's above our prior expectation. Those of you that are investors in us or know us, you know we take our commitments extremely seriously. 10% to 14% is higher than our long-standing prior EPS commitment. Additionally, we'll continue to pay an attractive dividend that currently yields 1% to 2%, offering an additional total shareholder return opportunity. So as we move to wrap up, and we're going to get to your questions in just a minute. There's a few things I'd like to leave you with as you reflect on what you heard over the past few hours.

First of all, we have a well-diversified portfolio of growth businesses. And I say growth businesses because importantly, we have foundational assets, we have accelerated growth assets, but they all participate in addressable markets that are growing. They're all in growth markets. We have a balanced portfolio between our service company and Evernorth, it's about 60% of our income and our health benefits business in Cigna Healthcare, that's about 40% of our income.

Secondly, we have differentiated capabilities that will allow us to grow above the market. Now we don't expect to have market share gains in every aspect of the company, but you heard about a few of them where we have particularly high visibility to doing so, the specialty pharmacy, the Select segment within U.S. employer. And then finally, we continue to employ a capital-light framework. So what does this mean? We don't seek to own everything in the health care system. We have a partnership orientation. We're willing to own where we can create differentiation in the specialty pharmacy and virtual care and other areas, but we don't need to own everything.

We have a capital-light framework. We like the fact that we're strategically nimble with a relatively low enterprise SG&A ratio. So with that, we're going to transition to your questions because I'm sure you're anxious to ask some. The way this is going to work, Ralph is going to join me up here, and he's going to facilitate the Q&A. All of the speakers that you heard from this morning are going to be available. We're going to move some chairs up here. It's going to be a little bit of logistics. And then, Ralph, do you want to come up and explain how it's going to work for the participants. Thanks.

QUESTIONS AND ANSWERS

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

So thanks, Bryan. And we look forward to the Q&A at this point. Just bear with us as we sort of set up here quick. Just as we go through, if you have a question, obviously, please raise your hand. We have mic runners around. So please just wait for the mic so we can get your question heard over the webcast. We ask you to please keep your questions to one per person so we can get to as many as possible.

We have about 40 or so minutes to go through Q&A, and then we'll have David wrap. And then as we mentioned earlier, for those of you here in New York, you're going to have the opportunity to further engage with our leadership team in the Centennial room, which is just next door. So we certainly welcome more questions and more engagement from everybody. There'll also be lunch straight outside. So I'll ask the teams to come up now.

Okay. So let's see who's got questions. Let's start with A.J. right in the front here.

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

(inaudible) out of the box here, but I'll ask them really quick. How about that? Two questions. One, on the new GLP-1 initiative, it sounds like you're sort of giving people a guarantee (inaudible) level of guarantee on the cost. Are you bearing much risk? Is it relationships downstream with manufacturers that's allowing you to do that? Can you explain a little bit more who's bearing the brunt of that and with this in hand, when you make a push to get more employers to cover the drug?

And then my other thing was on Evernorth, we hear others talk about ASO, the value of an ASO member versus a risk member. And with all the services you're trying to develop at Evernorth, do you have a target? I don't know if you've ever said how much one ASO member -- how many ASO members it takes to equal a risk member, but do you think that's going to change over time?

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

Thanks, A.J. So I'll have Adam maybe address the GLP-1 question and Encircle program, and then maybe have Eric talk a little bit about sort of the model and how we think about it in terms of a sort of risk or how we sort of capture, Adam?

Adam Kautzner - *The Cigna Group - President of Evernorth Care Management & Express Scripts & Evernorth Health Services*

Sure. Thanks, Ralph. So the first, for Encircle, we're thrilled to be able to bring this to the market because it puts together 3 components that we work hard to do every day, which is one, listening to our clients and being a partner with them. Two, is leveraging our supply chain excellence to be able to go and extract some unique contracts with drug manufacturers; and three is to be able to from a clinical perspective, develop a clinically unique program that encompasses in this case, the lifestyle modification treatment program component.

In terms of the financial commitments, the SafeGuardRx portfolio of value-based care, we've been doing for a decade. So we have consistently taken on risk in a number of different therapies. So whether that was hepatitis C or it was diabetes where we've offered a trend cap or some of you may remember the cholesterol PCSK9 drugs at one point. So we have a history of doing this and doing it successfully to help our clients have some peace of mind.

In this case, with the GLP-1s, this is a trend guarantee that is available, but we have some savings guarantees that are also available. So it's best -- the guarantees are best to meet the unique different buyer needs that different buyers have. In this case, specifically to the question, there is a trend guarantee that trend guarantee is a component of both utilization and cost from a net perspective for the clients on an annualized basis. There are some mechanisms within the construct that do -- we are bearing the risk, but there are mechanisms that do limit downside risk to us.

But we are confident in what we've brought to the market. And what I'd also say is ensuring access to the other part of your question for patients that need it most and having them be an active participant is really critical because these drugs do offer some benefit to patients that are struggling with obesity today. And so this comprehensive program should preserve access or expand access for patients in the market for employers that are struggling to figure out how they're going to pay for it today.

Eric Paul Palmer - *Evernorth Health, Inc. - CEO, President & Director*

Thanks, Adam. And just to build on that and summarize, Encircle program is just one example of the types of services we seek to have Evernorth be in a position to help address. There's going to be more of this. There's going to be more drug innovation. There are going to be conditions that aren't treatable today or as effectively treated today. And that's actually part of the core of what we're positioning Evernorth to be in a position to do is to help ensure we can bring the breadth of our resources to bear, to line up with what's important for our clients. So I'm excited about Encircle program, and you should expect us to continue to innovate in the space.

Now to the second half of your question, A.J., as it relates to funding arrangement or things along those lines. Within the Evernorth portfolio, it's actually not a dimension, I think a lot about. We are here to position and serve fully insured plans, self-funded plans, entities that work directly with us, not even through a benefit and such. So we look at the economics within the Evernorth portfolio really around what's the value we're creating and how do we get incentives lined up with that.

How do we make sure that we're winning when our clients are winning, when our overall outcomes are achieving the goals that we set out. And so we can do that in a lot of different ways in terms of the way that we structure the financing and touch to bring the programs to life. But again, think about that as the orientation versus an ASO versus insured to the construct within the -- the health care part of the portfolio, certainly, we've had our leadership position in choice and financing for a long time. And Bryan Holgerson gave you some updated statistics on that portion as well.

We are positioned to capture value similarly in Cigna Healthcare by getting incentives alive and focusing on finding the ways to get to the outcomes that work for our clients. And so I wouldn't have you think about there being a big disparity in terms of the kind of the economics and such the way that some others talk about that.

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

We'll go to Ann in the middle there.

Ann Kathleen Hynes - *Mizuho Securities USA LLC, Research Division - MD of Americas Research*

Great. Thanks. My question has to do with specialty. You highlighted in the PBM benefit, you have 25% market share and the medical benefit, you only have 6%. Do you have an internal goal of what you want that market share to increase over time? And maybe just talk about the market? Is there any type of like structural things that prevents you to gain more market share and you also talked about, you want to grow organically and inorganically and maybe describe and elaborate on both of that.

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

Matt, I'll hand it to you to talk a little bit about both sides.

Matt Perlberg - *The Cigna Group - President, Pharmacy & Care Delivery at Evernorth Health Services*

So I appreciate the question. So broadly, we're really excited about the specialty market overall. It's a $400 billion market overall today. It's growing in the high single digits, and we expect that to continue. I mean the market is going to double over the course of a decade. And so it's a really, really exciting market. And as you mentioned, you can think about that as the pharmacy benefit space and then the medical benefit space. I think what we're excited about is we have growth opportunities across both of those.

So Accredo continues to gain share and continues to compete really, really well in the pharmacy benefit space. In the medical benefit space, we have emerging capabilities with our CuraScript specialty distribution business, where we continue to serve health care providers and then we also recently expanded our reach by investing in CarepathRx, which does specialty pharmacy and infusion services on behalf of hospitals, health systems and their providers. I think a couple of dimensions as I think about the growth overall.

One is around the clinical expertise that you see is consistent across all of those. So needing to have a durable specialized model that treats patients wherever they are and however they access their care is really, really important. And being able to have those complementarities across those businesses is really critical to that.

The other thing that I think is critical though, is if you think about like the Venn diagram of specialty drugs, there are some that are more naturally going to go through the pharmacy benefit, and that's where Accredo is very strong. And then there's going to be some that are naturally going to be more provider administered. And that's also where some of our emerging capabilities are, I think, really durable. One of the things we really like about those assets is it kind of runs the gamut depending on where the patient wants to be treated. And it's consistent with, as you heard Heather talk about moves towards more alternate sites of care.

Just one data point on Carepath, for example, the home infusion on behalf of hospitals and health systems is a mechanism for them to participate in a move to an alternate site of care. That's really important to them. And so we think about kind of competing across that whole market and we think the combination of those will help us continue to gain share over time.

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

Thanks, Matt. We go to Kevin Fischbeck.

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

Great. One of the drivers to growth you guys talked about was cross enterprise leverage. And I would just love to get a little bit more insight into exactly where that's going to be coming from, if you could identify like the 2 or 3 biggest buckets or areas of opportunity for you. And then it sounds like you identified a couple of things like whether it was Accredo, only half of the U.S. employer or CuraScript not serving all of Accredo. Like what are the structural barriers that are creating the fact that you're not doing it today? And what do you have to overcome to realize that value?

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

Brian, I think I'll have you start the question in terms of -- it was your slide that you talked about sort of the cross-enterprise leverage and get into some of the components of the opportunity.

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

Sure. Yes. So I talked about earlier, Kevin, cross enterprise leverage is critically important for our company because it's mutually reinforcing of our 2 growth platforms. So it helps our Cigna Healthcare offerings be more competitive in the market, helps with client retention. At the same time, it is financially accretive for everyone where we can see more and more services through the Cigna Healthcare platform, which I think was the core of your question. There are other examples of it across enterprise leverage, for example, how we use technology, how we leverage our people, but I think your question more specifically was on the Cigna Healthcare and Evernorth relationship.

So today, we utilize, within Cigna Healthcare, the capabilities of Evernorth such as pharmacy benefit services, Accredo, home-based care, EviCore, virtual care, behavioral health, so there's a number of things that we already pulled through, and there's more opportunity going forward, both to increase the penetration of those solutions, but also, as Eric talks about expanding the addressable market, particularly within the care services portfolio and Evernorth, that will give us more solutions that can be cross-levered back over into Cigna Healthcare. So to your point on why are there structural barriers to more penetration.

So we talked about 50% of U.S. employer is using Accredo. We have some employers who we recently won who had other specialty pharmacies that they were already leveraging. That's opportunity for us over time or in CuraScript, the fact that it's only 20% of the Accredo volume, we have long-standing relationships with distributors on certain drugs that over time as new drugs are brought to market, gives us opportunities. So there are multiple avenues for growth here over time, so it will be accretive to Evernorth, and it will continue to reinforce the competitiveness of our Cigna Healthcare offerings.

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

If I could just follow up real quick on that. The more you penetrate, it seems like there should be an opportunity for enterprise margin expansion rather than just taking the 2 margins and blending them with the growth rates. Do you see an enterprise margin benefit from cross-selling in? Or is that just small in the context of overall growth?

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

Yes. I was having a little difficulty hearing you, but I think the question is enterprise margin benefit in aggregate versus -- mathematically relative to the growth algorithms we went through, it doesn't move the needle enough in the coming years to be something that I would declare. But certainly, we view it as a structural advantage to have a service company and a health benefits company under the same umbrella, which is the Cigna Group. We see that as a structural advantage, and it gives us opportunities to be thoughtful on a client-by-client basis.

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

David, anything to add?

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

Yes, Ralph, just to add one additional point. Kevin, when you asked the question, you asked if there was a structural impediment as well. I would say, no, to amplify that. And two, is if you reflect on the conversation, we built Evernorth to have a primary market to be not the Cigna Group and to serve the Cigna Group.

That was a very deliberate posture we took, and we took that posture, it may have been disruptive in the marketplace because our mandate is to serve more lives and have a larger impact. And it's proven to be positive as we've grown the Evernorth revenue base by about $90 billion over the last 5 years. So it's not that one is more important than the other, but we saw a larger addressable market to be able to leverage our capabilities. And then there's an and proposition within Cigna Healthcare.

And the monetization that you came back through the margins, you heard Heather, for example, talk about the ability to deliver the Pathwell Specialty program is enabled because of Accredo to accelerate through. And you heard Bryan Holgerson talk about the duration of our relationships and the ability to create more value. So we see it as a part of our sauce to be able to have the long, sticky relationships and to penetrate them more deeply.

But the key to my point is we're built to serve the marketplace more broadly and the Cigna Group as opposed to we're built to serve within the Cigna Group, Cigna Healthcare and episodically monetize the solutions. It's a different go-to-market orientation that we have.

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

We'll go to Scott?

Unidentified Analyst

Thanks, Ralph. So you spent the morning laying out a pretty compelling case around how you have a lot of growth opportunities across a lot of large TAMs even while exiting the insurance component of Medicare Advantage. At the same time, you have talked about how MA is still a large and critical part of the overall market. So definitely, I'm curious if you want to spend a moment just sort of walking through with us, what you would see as ultimately the key criteria to consider reentering the MA market over time, change in the regulatory environment, the elections, the competitive environment, just however you think about ultimately what would make that market more attractive to come back to theoretically add scale as well?

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

Thanks, Scott. David, I'll have you take the government position.

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

Sure, Scott. Thanks for the question. So I'm going to describe a little bit more broadly how we approach M&A, and I'll back into your question a bit. First, as it relates to the government sponsored space, to be really clear, hopefully, you saw throughout the course of the conversation. We see the government marketplace and submarkets as continuing to be attractive, number one. We see our ability to serve that market through our Evernorth capabilities to be proven, durable and a sustainable growth opportunity also in a capital-light structure.

So important point, we see the government-sponsored business in the United States is an attractive market and we see our ability to grow and serve that marketplace in a proven way through our Evernorth service capabilities to be very important. Point two, relative to M&A, as we walk through our growth outlook and our growth algorithm, the 6% to 9% organic growth that we expect out of our franchise, hopefully, you got

a look and feel of the subcomponents to drive that. And then we augment that with our capital deployment, 4% to 5% of additional capital deployment, contribution to EPS.

That will either be through accretive M&A or share repurchase. M&A will be either complementary to the portfolio of services you heard today or a further expansion of our addressable market. It is complementary to our growth strategy, not critical.

Said otherwise, it is a nice to have within our portfolio, not a must-have part of our portfolio, and we've deliberately built a franchise. So whether it's MA benefits or any other subsegment of the marketplace that we don't participate in today, we will evaluate that over time relative to alternative ways in which we could grow. But it's important to underscore our growth strategy is organic. The capital deployment opportunity is significant. That capital deployment opportunity will either be in the form of accretive M&A or share repurchase. And if it's M&A, it will augment the capabilities you saw us walk through today or extend the reach further as we have successfully extended the reach of our markets.

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

Thanks, David. We'll go to Erin Wright.

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

Erin Wright, Morgan Stanley. On biosimilars, I guess heading into '24 and 2025 here, how would you characterize the HUMIRA opportunity from a biosimilar perspective? And presumably, that does hit an inflection point kind of after what transpired in 2023? And just that incremental opportunity, I think, on the $100 billion above and beyond HUMIRA biosimilar and generics and is that steady in your view over the next several years? Or how do we think about the cadence of that opportunity and how you tap into those (inaudible)?

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

Matt. I'll turn it to you for biosimilars.

Matt Perlberg - *The Cigna Group - President, Pharmacy & Care Delivery at Evernorth Health Services*

Yes. Thanks for the question. So we're really excited overall about the opportunity within biosimilars. You mentioned the opportunity for HUMIRA is significant. Also, going forward, even if you take HUMIRA out, by the end of the decade, we see that as an overall $100 billion annual opportunity for the market. And it's an opportunity for us to drive greater affordability for patients and clients. It's also because of the way that we have alignment, it will help fuel our growth as well. So as I think about that opportunity, if you were to go back two years ago when we had our last Investor Day, we had said at the time we thought that biosimilar growth would begin to start in '23. And we said we saw that accelerating in '24 and '25.

So broadly speaking, I would say the trends that we've seen thus far are in line with the expectations that we've had where we would see that adoption start to accelerate. I think there's really a couple of things that have to happen for that acceleration to occur. One is making sure that we drive that affordability, and we were really excited today to be able to talk about Evernorth's plan to have a biosimilar at Accredo with $0 patient out of pocket because that's a way of ensuring that not only does that affordability accrue to plan sponsors, but we also make sure that patients see the benefit of that as well.

The other thing that's really critical though is the clinical capabilities because as patients are transitioning from one therapy to another therapy, they're going to have questions, their doctors are going to have questions, and this is where the accretive specialty capabilities are really critical because we have specialized pharmacists that can work with patients, work with doctors to help drive that adoption over time as patients are transitioning.

So as I think about that coming through the end of the decade, there are going to be some years with larger launches, some years with smaller launches, but I wouldn't necessarily just focus on the time of a launch. HUMIRA, its biosimilar, the first one launched 2 years ago now, 1.5 years, let's say. And that adoption takes some time. Not all biosimilars are created equal, and this is where the programs that we have at Evernorth, the capabilities that we have at Accredo are going to be critical to helping grow that pool over time.

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

Thanks, Matt. Let's go to Josh.

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

I didn't hear a ton about it today. So I'm curious on the consumer side. If we see a move to more consumer-oriented health insurance, especially in the commercial segment, how is Cigna preparing for that at the enterprise level? And maybe what do you consider your advantages in the consumer purchasing world?

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

I'll have Bryan Holgerson maybe start, and then David, maybe take a second.

Bryan Holgerson - *The Cigna Group - President of U.S. Commercial - Cigna Healthcare*

Sure. Thank you for the question. So if we back up when we think about the consumer world, many of the solutions that we spoke about today actually would help facilitate that type of experience where clearly, if we frame this from an employer perspective, who are acutely concerned about attracting and retaining their talent, they want that same consumer experience for their employees and their family members as well. So as we think about solutions, as Heather mentioned, around Pathwell, when we start to combine things like care, affordability, benefit, experience, altogether as one, these are the types of innovations that we're making broadly to compete for a consumer environment.

Now with that said, if we translate your question into solutions such as (inaudible), we have not seen broad adoption of those types of solutions in the marketplace to date. We believe as employers are deeply invested in the health of their employees and the impact of that on productivity and the benefit level. We don't believe that, that is something that is coming soon. We've not seen that adoption. It's been immaterial to date. And furthermore, in the space where we would see something like that to happen faster, it would relatively be down-market where it's not part of a key employer retention strategy and immaterial to our business thus far.

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

Thanks, Bryan. Dave, anything you want to add?

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

Sure, to add, I'll pick up from the (inaudible) comment, which Josh, may have been a subset of your question. Where there's any activity relative to (inaudible) today, it's largely in the small employer market, typically defined as the under-50 market. And largely, we do not participate in that market in any scaled way. So I'm going to hold that aside for a moment. But to your broader comment, I'd ask you also to reflect back on some of what Noelle walked through, the architecture of all of our technology in support of our services starts from a consumer and works its way back and/or starts from a medical professional and works its way back as opposed to starts from a health plan aggregator or an employer aggregator otherwise.

So the underlying architecture of all of our solutions seeks to get to a higher level of personalization, a sharper level of precision, a closer level of real-time engagement, all with the objective of creating more value. So it's informed by your consumer-centric orientation, but it's not a product, it is not a consumer-centric product. It's an orientation around serving the consumer first and foremost, and having the technology to be able to harness the longitudinal data and bring that precision back on a real-time basis.

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

Let's go to the other side of the room, Steve Baxter.

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

I just wanted to expand a little bit more on the market share opportunity in specialty. I guess would you be willing to say whether more of the share opportunity sits on the pharmacy or the medical side in terms of the addition to your growth outlook? And then what's the actual mechanism for share to shift in the market? Do you think it's greater mix of exclusive distribution drugs? Are you coming at it from the payer side more so?

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

Matt, (inaudible) market share.

Matt Perlberg - *The Cigna Group - President, Pharmacy & Care Delivery at Evernorth Health Services*

Yes, I appreciate the question. So as you saw and when Bryan talked about the market share gain is incorporated into some of our growth algorithm. So we see secular market growth of about -- in the high single digits over the next 5 years. And then we think we'll be able to grow on top of that. As I think about how we do that, you named a couple of them. One is we continue to win more than our fair share of payer clients in the market. And it's based on those differentiators that we talked about, the clinical expertise we have, the comprehensive drug access that we have, the owned operational assets and capabilities that we have.

Others aren't able to replicate that. And so we find ourselves very competitive in that space as we're talking to payer clients who whether or not they contract with the Cigna Group and elsewhere, many times, they'll still want to contract with Accredo because of the capabilities that we have. On top of that, you referenced another one. Manufacturers want to partner with us because as they bring new drugs to market and we see a lot of new drugs coming to market, particularly in that rare space, where just last year, over half the drugs that the FDA approved were rare and orphan, more of those are coming.

And when you think -- if you're a manufacturer and you're bringing, let's say, a gene therapy to market, these are super highly specialized drugs, very expensive therapies, lots of patient services that are required, you're not taking a chance with the partner that you choose. And this is where when you see our capabilities versus the competition, we shine. And so we'll continue to win our fair share of the manufacturing space.

We continue to win our fair share in the payer space more than our fair share and that's a virtuous cycle because as we get more comprehensive access, that makes us more attractive to payers as we're more attractive to payers, we're more attractive to manufacturers, and it allows us to invest in more of those capabilities and it creates that flywheel effect. So we really feel our position in specialty is very strong, and we'll continue to gain share in that way.

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

Thanks, Matt. We'll go to Justin Lake.

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

Thanks. Question here on the PBM side. There's been a continuing evolution on the retail drug delivery, Rite Aid's bankrupt, you're shrinking footprints across the industry as PBMs have done a good job of forcing efficiencies. So I wanted to get an update on a couple of things. Maybe first, in baseball terms, where are we on this evolution of rightsizing the retail footprint in terms of both just like the number of pharmacies and your ability to extract savings at an efficiency out of this delivery system.

And then second, one of your -- one of the big pharmacy change is talking to a new cost-plus model out there for 2025. Wanted to get your kind of early view on -- put the pricing to the side, I assume we're not going to discuss that here. But just your thoughts on that type of model and the ability, what are kind of some of the key things we should think about and the ability to kind of move to that model over time?

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

Thanks, Justin. I'm going to have Adam kick it off, just talk about sort of cost-plus model and just the pharmacy backdrop.

Adam Kautzner - *The Cigna Group - President of Evernorth Care Management & Express Scripts & Evernorth Health Services*

Sure. Thank you for the question. So in terms of the pharmacy landscape of pharmacies as you know, we're not -- we don't own retail stores. And so we certainly will continue to contract with many different pharmacies to realize the best efficiencies but provide broad access for patients. So we would expect that we can continue to gain efficiencies within the market while still providing a high level of service, and that's an expectation that our clients continue to have as do patients across the market.

In terms of the cost-plus component of the question. I would say there are a few different components that we look at that represent what our clients need, which are one, additional transparency in the pricing; and two, is optionality and choice. And so continuing to have a lot of flexibility within our model, which is what our modular approach allows is that clients have multiple different types of options.

Now we did release our own cost-plus model, clear network late last year, it is the only option in the market that I'm aware of that today covers all drugs, so specialty generics and brands. We have tens of thousands of pharmacies that are already participating in that model, and it's based off of 3 major industry standard benchmarks from a pricing perspective. So it meets those types of standards.

That said, it is an option today for our clients. And we would expect that any entity that's bringing cost-plus models that those would continue to be options for clients because different buyers have different unique needs. And so that could be an option for some. But cost-plus models can't mean that it's going to have to cost clients more for those services and patients more for those services and we also have to be able to get to what is transparently the actual cost in the cost-plus component as well and understanding that across the supply chain is also going to be very important for us and for our clients as we enter into any new contracts.

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

Thanks. David, anything?

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

I just want to add a point and Justin, we did answer the first part of your question relative to the baseball innings, and I'm not going to give you a precise answer. But I ask you to think about what your thoughtful question, a subsegment, the nationwide footprint relative to retail access is imbalanced today. So as we think about your question in our go-to-market approach, we're thinking about it by MSA. So in some dense MSAs, you could argue that there's an overabundance of access points. In other locals, there's a lack of access. So we highlighted independent Rx where the data guided us to say there are literally 2,000 independent pharmacies, truly independent, rural location, the only dispensing center in those ZIP codes.

So in that case, your network access is either 0 or 100, it's not 98 or 96 on average, it's 0 or 100. So informed by the data, we lean into that from an innings standpoint, say, those organizations, we have a responsibility of leaning into higher reimbursement proactively brought forward and seeking to extend care. Conversely, to your innings analogy, we may be in a spot where there's more opportunity for better efficiency in submarkets for the benefit of our clients.

And I'll just amplify lastly, what Adam said, our clients are not asking to pay more for the same. Our clients are asking for more value, and we need to collaborate with all of our partners to help to deliver more value along the way, and we will continue to do so.

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

Thanks, David. We'll go to (inaudible).

Unidentified Analyst

(inaudible). I thought it was interesting how you framed the growth and market size of the specialty business and Medicare businesses. I was hoping you could expand on that comparison and speak to the level of investment required and incremental returns on capital between the two.

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

Brian, maybe have you talk about that component within specialty and the way we think about the investments.

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

Did you point that to me? We can't really hear. Yes, so I appreciate the question. So Matt hit this a couple of times, $400 billion addressable market in specialty pharmacy, $375 billion addressable market in Medicare Advantage, we expect the specialty market to grow faster than that. So already bigger, growing faster. To your point on relative returns, et cetera. It depends a little bit on where you are, right? So we have a scaled -- we are the leader in the specialty business.

So the amount of future investment required to further grow off of that, for us, is a lot lower than it is for someone who isn't in the business or who has a relatively small share because a lot of the capabilities we've built up and amassed over the decades, they are now national capabilities and/or they're leveraged into multiple conditions in multiple disease states.

So the amount of incremental investment in front of us is certainly smaller. They're also different markets, obviously, service-based market versus a health insurance oriented market. So a little bit of an apples-to-oranges comparison when you think about the financial attractiveness of the 2. But we really like where we're positioned in the specialty pharmacy business and see continued growth without having to do a massive acquisition or put in billions of dollars of organic growth capital there.

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

Thanks, Brian. We'll go to Lance Wilkes.

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

Thanks. I've got a question for Brian and Bryan. So it's on Select. And what I wanted to understand, you had an interesting chart of there talking about going from 30% to 60% being in a competitive position in the market. And then you also talked about the level of growth. Can you talk a little bit about how you've improved the competitiveness in the market? How much of that, if any, is because of the improved pharmacy capabilities you've got? And then just for your growth overall, at one point, you were in a subset of markets for Select.

And I was wondering if you can kind of quantify what's the number of markets where maybe you have like your 7% or higher market share? I mean like some -- where you're meaningful? And then is entering new markets a big driver of that? And how big of an opportunity is that?

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

Bryan Holgerson, I am going have you to start.

Bryan Holgerson - *The Cigna Group - President of U.S. Commercial - Cigna Healthcare*

I'll start. Yes. So just backing up on Select just in general, then I'll start to take through the pieces of that. So one, we've been in this market for a long time. So over a decade. And to your point, is we've improved our affordability position. We've improved both the number of markets and the scale as we showed through the market share growth. Two, we do believe it's a couple of different factors that have allowed us to improve our market share. So first, it is our affordability improvements that has doubled our competitive footprint across the country. Second, the dedicated model that we have is not a commodity.

So the dedicated model that we have includes both investment in our portfolio as well as the expertise that wraps around it. So what that means is things that are very apparent upmarket, but is a differentiator down-market, whether that's reporting, service model capabilities, unique clinical model and capabilities. We've put all of that together, plus our affordability improvements to meet that growth.

Third, the other really unique piece is our funding arrangements. So one, the funding arrangements not only allows us to differentiate with our clients, which we think is actually key to growing the market share over time. But we're also positioned differently in that market than our competitors who are actually reliant on fully insured premium growth in order to meet their growth goals. We're agnostic in that space. So if you put all those pieces together between affordability, our value prop and then our funding approach, we think that's the mix that actually allows us to make that happen.

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

Just a couple of comments to kind of punctuate on top of that. So as you think about the 60% of local geographies where we have cost competitive solutions in the U.S. employer business, that represents where we're best-in-class cost position or very close to that 60%. We already participate in the other 40%. So it's important to keep in mind that in this business, we have national networks in the U.S. employer business. We already participated in those geographies, but we're not as cost-competitive, which is the reason that it's a little different than, say, the individual exchange market where we're only in 14 states, so we don't have opportunity at the other 36 states at all.

We can't serve those customers because we're not licensed. We don't actually have a presence. We have a presence basically nationally in the U.S. employer space. So as you think about the 7% growing, a portion of it is that 60% metric will increase as we have more cost-competitive markets, but also all the other capabilities that Bryan walked through, that allow for differentiation will deepen our share in the 60% as well. So I just -- I want to punctuate that point in particular because as you think about how to model this, it's not a matter of entering a geography in a traditional sense. It's a matter of how we win in each of the geographies where we're already present.

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

Thanks, Brian. We'll go to Sarah James in the middle.

Sarah Elizabeth James - *Cantor Fitzgerald & Co., Research Division - Research Analyst*

Thank you. So when you look out 5 or 10 years into a more mature biosimilar market, do you think having an example like the HUMIRA biosimilar as $0 out-of-pocket will be the common strategy or a rarity? And can you walk us through what the economics look like for the different constituents? So what does a biosimilar fill look like for Evernorth for the employer, for the consumer versus (inaudible)?

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

Matt, do you want to take first crack?

Bryan Holgerson - *The Cigna Group - President of U.S. Commercial - Cigna Healthcare*

Yes. So what I would tell you broadly, I think patient affordability is always important, whether you're talking about biosimilars, whether you're talking about other specialty drugs, whether you're talking about traditional medications. And so -- we have a very long history in our organization of championing patient affordability. You could go back really more than a decade looking at Evernorth (inaudible) generic use. You can look at a couple of years ago when we launched the Patient Assurance Program. When we kept the cost of insulin at $25 for a 30-day supply, we then expanded that to other cardiovascular medications. Now Evernorth plans to have a biosimilar to Accredo with $0 patient out-of-pocket.

This builds on a long line of patient affordability. And for us, making sure that the savings that plan sponsors are able to receive (inaudible) adoption curve. Like about our model is that it's aligned. So as we drive savings for clients, as we drive savings for patients, we're able to help participate in that as well. And I think that's a really consistent theme, not just in specialty but really broadly across the entire franchise that we have of making sure that as we improve affordability as we improve (inaudible) and as that generates savings for clients and patients, that also helps fuel our growth.

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

Thanks, Matt. We'll go to George Hill.

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

Thanks, guys, and I have one for Brian and for Eric as it relates to the PBM segment. If I look at the kind of the longer-term adjusted operating income guidance you guys have provided in the 3% to 4% range. That, to me, basically looks like market growth. And if I think about the pricing dynamics in the industry right now, it looks like continued margin erosion in what would be the core PBM business. So my question is, is there any chance you might unpack some of the assumptions around how you think about revenue growth, claim growth, market share and pricing dynamics in context to how we think about the operating earnings growth expectations in the PBM segment?

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

Eric, maybe I'll have you start.

Eric Paul Palmer - *Evernorth Health, Inc. - CEO, President & Director*

Thanks, thanks for the question. So a couple of things. Stepping back, we flagged on the slide that I had at the addressable market section level of kind of base market growth and then a bit of expansion. So we do expect to be clear. We expect to continue to grow at or above the market on average within the pharmacy benefit services part of the portfolio overall. So just to set that as an expectation. And that will show up in the form of additional lives and additional clients and the continued effective growth in the overall kind of number of medicines covered (inaudible).

There's also a deflationary effect that comes in here around new affordable treatment options (inaudible) deflationary from a PBM or from the pharmacy benefits segment perspective. So that's all factored into our long-term average growth perspective. So again, we expect to continue to grow. We expect that there'll be some pushes -- puts and takes in terms of what drives the top line, but that will still be a net increase on average over time.

As it relates to the margin, when you look at the margin components, we did adjust the overall margin goals. But really, that's just a function of mix. It's a function of adding in the very significant and contributing, but contributing at a lower percentage margin, client relationships that we've added into the portfolio over the recent years.

There's no other change there. Our fundamental underlying assumption in terms of our ability to earn our margin remain consistent. And actually, I would assert really attractive relative to the value proposition that we offer out to our clients. Adam talked about the overall savings delivered through the work we do in the supply chain work that we do, including gaps in care, through the work that we do in overall better connecting. And our margins are a pretty small portion of that relative to the value we're delivering to our clients. We think that's durable and a fair margin that we will continue to be able to earn into the foreseeable future.

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

We'll take one last question from Nate Rich.

Nathan Allen Rich - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Great. I have two quick ones. I guess first, I just wanted to follow up on the trend guarantee for the GLP-1s for obesity. You talked about limiting trend to a pretty specified threshold. As you guys have said, demand for these products could be high, that could likely push it above a threshold like 15%. And I just -- could you maybe just elaborate on who bears the risk above that level? And you said that you have mechanisms to limit the downside risk. Could you maybe just expand on what those are? And then it'd be great to get an update on how you think the conversation around PBM reform has evolved in the market? I understand it may be hard to speculate, but it'd just be great to get your latest thoughts there.

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

Thanks, Nate. So Adam, I'll have you start off with Encircle and the trend guarantee piece? And then David will take the PBM reform.

Adam Kautzner - *The Cigna Group - President of Evernorth Care Management & Express Scripts & Evernorth Health Services*

Okay. Sure. Thank you for the question. So in terms of the trend guarantee component, as I said, one, we have continued to take risk on therapy specific conditions and have been doing that for over a decade. So we're comfortable doing that. Different components of this program ensure that, one, from a clinical criteria perspective, we were able to work to create accessibility, but it gave us more flexibility with the clinical criteria of us being able to identify patients that need these drugs most that will benefit most. So that is another component of the program that gives us flexibility in how we've contracted with drug manufacturers around the product.

Secondly, the lifestyle modification component will ensure that the patient stays an active participant. So we want to ensure that the drug is going to get to a person given the expense of these drugs that the patient is actually continuing to participate in their care and will need to continue. And there are multiple ways that they'll be able to do that, whether it's a digitally enabled scale, access to coaches or other nutrition and dietary services that we're going to be providing. So it's a full encompassing program, but it will require some additional participation by the patient. In terms of the guarantee component of the trend, we are confident that we will be able to successfully manage the trend component.

We are assuming risk on that component. But as I've said, we do have some mechanisms that do limit our downside risk, but those are considered part of the proprietary pieces of the program overall. But we are confident, as we have been with all of our programs historically that we've been able to meet the obligations within the program and have been able to run those very successfully to continue to improve patient access and outcomes while still delivering unique value to our clients as evidenced by the 86 million lives that are currently included in the SafeGuard portfolio, Encircle is now one of those products and delivered over $6 billion of savings last year, and we expect that to continue as well.

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

Thanks, Adam. David? Last piece?

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

And the second part of your question was relative to the regulatory environment and the ongoing regulatory environment. Maybe I'm just going to try to bridge back to a couple of the questions as well, whether it was George's question on the margin profile or otherwise. First, philosophically, our underlying belief is that we have to continue to innovate and generate more value every day just to maintain the level of growth that we're seeking and maintain the level of margin we're able to earn. So there is a margin and growth headwind in every one of our businesses.

So hopefully, you felt that throughout the course of the day, not defensively, but rather offensively, it's imperative on us to continue to drive innovation and continue to drive change to deliver more value for the benefit of those we serve and have proper rewards. And as we've demonstrated over the last decade, we've been able to successfully do that in a disruptive environment.

Specific to the regulatory environment, the reason why I wanted to bridge that back is we continue to operate in an active regulatory environment and an active legislative environment across all of our businesses and we engage proactively in that.

Specific to PBM regulation, current PBM regulation is oriented a bit more intensely on transparency. We embrace transparency, but transparency with a purpose. Transparency that enables decision-makers to make informed decisions around access, cost and quality as an example. Or take the illustration of our ClearCareRx program where we rolled out in April of 2023, a further evolution of a more transparent program for the largest, most sophisticated employers, but offering it as a mechanism of choice or our co-pay assurance program that allows additional choice with additional transparency or the independent Rx program that I made reference to.

So we continue to lean into of all business models that allow more transparency, better alignment, increase value while balancing appropriate choice. And we think the marketplace will continue to be active, most recently in the area of transparency, which again, we embrace, but transparency with the purpose that enables individuals to make informed decisions around their overall health and well-being.

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

Thanks, David. We'll wrap this section now. I'll ask David to remain on the stage and the rest of my colleagues to step down. Thanks.

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

So if you will, just give me about 5 more minutes of your time to try to wrap our day up and bring a couple of the themes home, if you will. Importantly, as we start out the colleagues that are on stage today, had the privilege of representing our 70,000 colleagues around the world. That's how we view it. We had the privilege of representing our team who (inaudible) trying to make a positive difference in our customers and patients' lives and it seeks to lean into some of the biggest health care challenges and have demonstrated an ability with our business portfolio for sustained predictable, strong performance. Now a couple of headlines you should have taken away from today.

We have a strong franchise, a franchise that is built on a history of delivering on our promises. We have a service franchise and a benefits franchise, each of which have very large addressable markets in excess of $1 trillion for Evernorth and in excess of $1.25 trillion for Cigna Healthcare. And we continue to drive change, and thanks to your questions, we are able to highlight some of the change, nothing of what we do is static, whether it's the strong performance of our Select segment or our pharmacy benefit services business or the rapid growth in innovation in our specialty portfolio or behavior health capabilities, none of that is static, yet we've continued to be able to drive growth off of our platform. Our foundational businesses are strong.

They are strong and continue to drive change, and we continue to lean into some of the society's biggest needs like our new GLP-1 announcement in terms of leaning into what employer and health plan sponsor clients are asking for. And we see the ability to continue to drive those innovations going forward. Additionally, we're positioned for today and tomorrow off of our (inaudible) platforms. They are to spend meaningful time on our specialty capabilities, which we are the undisputed leader in today. That is a marketplace that is large and will continue to grow.

There's also a marketplace that is very complex. Each patient has unique clinical needs and our ability to harness our clinical capabilities from across our enterprise and work with pharmaceutical manufacturers in some cases, some of the specialty pharmaceutical manufacturers only manufacture one drug in the rare instances. Our ability to partner and drive the effective yield and outcome for those patients one at a time is rather powerful. And you heard us talk about our market share in the direct-to-patient through Accredo at about 25%, but our market share is in the single digit in our direct-to-health care professional business off of CuraScript.

We see significant growth. We also spend time on behavioral health. Behavioral health, where we're all beginning to appreciate, largely transcends every aspect of care in well-being and vitality, whether it's an acute need or an entry-level need around anxiety, stress or otherwise, if it goes untreated, it has a significant demonstrable impact, one individual at a time, one community at a time, one organization at a time. And we're continuing to lean in with capabilities, both electronic capabilities as well as an MSO capability through the Evernorth Behavioral Health Group to bring more services to market. We talked about the framing of our franchise, a bit of a sum as a parts.

Brian articulated this as his favorite slide. As a CFO, he's entitled to have a favorite slide. But this also breaks through some more of this symmetry. While we have 40% in benefits and 60% in services, our services business is split about 50-50 between a stable foundational business in pharmacy benefit services and a rapidly growing specialty and care setting capabilities. That gives us 40, 30, 30 as an enterprise, which helps to fuel our sustained growth as we innovate and go forward. And then we try to bring it all together for you with some of our commitments. We recognize that 2023 was an interesting year for the overall space.

We're proud to have not only delivered but exceeded our expectations, which allowed us to increase our outlook for 2024 from our multiyear commitment of at least $28 to at least $28.25. Our confidence in our underlying portfolio allows us to increase our long-standing target of 10% to 13% to 10% to 14%. And I would note, as I highlighted, we've exceeded the high end of the range over a decade of that. As Brian said, we are committed to deliver on our promises. Additionally, several years ago, we implemented a dividend on additional value accretive for our shareholders that we continue to grow.

We increased that by 14% last quarter and continues to yield 1% to 2%. And we've deliberately built our franchise in a capital-light framework that allows us to convert a significant amount of our earnings to operating cash flow and we expect to generate $60 billion approximately of operating cash flow over the last 5 years, which is an increase from just 2 years ago, where we're on track to generate $50 billion over the 5-year time horizon, all underlying the quality of the growth of our franchise. And again, fueled by our capital-light structure.

So for those that are here with us in New York City today, if your schedule allows, our team is going to be in an adjacent ballroom, both the colleagues that presented to you today as well as other leaders from our business that are here to continue the conversation. There's something to eat in there. There's a grab-and-go lunch for later. We want to be able to continue the conversation. For those who joined us through Webex, we're going to wrap this section up here. And we thank you for joining us.

We hope you found our conversation engaging and enlightening. And as Brian also noted, the passion of our colleagues also hopefully came through because at the end of the day, we are a purpose and performance-based organization. We like to prove that being mission-based and performance-based not only can (inaudible) they fuel one another. And we have an opportunity every day, every moment to make a very positive difference in people's lives. So for those who are here in New York City, I invite you to join us in the adjacent ballroom to continue those conversations. And again, thank you for your interest in the Cigna Group. Have a great day.