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Company Summary

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PRESENTATION

Operator

Welcome to The Cigna Group Investor Day 2026. Please welcome Ralph Giacobbe.

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Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Good morning. Welcome to The Cigna Group's 2026 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 joining us today. We're excited to share how we've deliberately shaped our portfolio to position The Cigna Group where health care is growing and where we can create the greatest value.

Today, you'll hear about our Lead to One vision, driving greater personalization for all our members, but the greatest impact on those with complex conditions where we have a unique and differentiated set of assets and capabilities. We'll delve into our three largest businesses, Evernorth Specialty and Care Services, Cigna Healthcare, and Evernorth Pharmacy Benefit Services and how will drive profitable growth and add value across the system. You'll hear about how our advances in data, technology and AI.

Together with our clinical capabilities enable us to deliver more personalized services, better outcomes and greater affordability for patients and clients. And will discuss how the strength of our businesses, together with our operational execution, and disciplined capital deployment supports our attractive long-term operating earnings growth and shareholder value creation. We look forward to your engagement throughout the day.

Now before we begin, I would note that today's presentation is being webcast live and a full set of presentation slides are posted on our Investor Relations website. Also I want to remind you that we will be referring to non-GAAP measures and making forward-looking statements, relevant definitions, reconciliations and disclaimers are available in the presentation slides. Actual results may differ materially.

With that out of the way, let's get started.

Operator

Please welcome Brian Evanko.

Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

Thanks, Ralph. Good morning, everyone. Thanks for joining us for The Cigna Group 2026 Investor Day. I'm Brian Evanko, President and CEO of the company. And while this is my first Investor Day as CEO, I have been with The Cigna Group for close to 30 years.

And we have a lot to talk about today. We look forward to taking you through some of the great things we're doing to create value in the market as well as for our shareholders. We're going to talk today about the strong foundation of The Cigna Group, the clear strategy that we've developed for success in the future as well as our proven ability to execute. We look forward to today's dialogue with all of you.

I'm going to head of a few key areas here in my opening remarks. First, our track record of evolving the company through different periods of environmental change. Secondly, the portfolio we've deliberately constructed to deliver results today as well as grow into the future. Third, the capabilities that we've built up over a period of time that are differentiated and increasingly difficult for others to replicate.

And finally, the way we execute with discipline, both operationally and financially and how all that translates into a long-term shareholder value proposition. So let's start by talking about our track record over the past decade. The last 10 years has been characterized by what I would describe as extreme environmental disruption, right? We had a global pandemic, hopefully, the only one in our lifetime.

Affordability has reached crisis levels of health care, significant changes from a policy standpoint, I think all the government-sponsored health care disruption, changes from a regulatory standpoint on both the medical side and the prescription drug side. Overall that, The Cigna Group has made deliberate decisions on where we can create the most value in the market.

We started a decade ago is predominantly a health plan focused on serving employers. In 2018, we made the decision to combine with Express Scripts, which gave us instantly a leading health services platform, with both Express Scripts or PBM as well as Accredo, our Specialty

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Pharmacy. Subsequent to that, we made strategic choices to divest certain businesses that were noncore, such as our Group Life and Disability, our international supplemental operations. And we made a decision to divest businesses where we didn't feel like we had a competitive advantage, such as our Medicare operations last year.

And along the way, we added other capabilities, specifically to intensify our focus around complex care needs. Think some of the investments we made in Specialty Pharmacy capabilities over the past two to three years. So this just demonstrates a track record of disciplined portfolio management, to make sure the company can succeed and thrive over the long term. So what resulted from this is a larger company, but a more focused company.

So we've actually transformed the company from 10 years ago being a relatively small health benefits focused company to today, one that's -- has the benefit of three strong growth platforms, our Specialty Pharmacy capability in Evernorth, our broader pharma services platform within Evernorth and Express Scripts and Cigna Healthcare, squarely focused on serving employers. All of these businesses have an emphasis on complex care, and that is where spending in the health care system is increasingly concentrating. So we've increased exposure to where there's attractive long-term secular trends.

Simultaneously, we've reduced exposure to those areas we do not feel we have a competitive advantage. So all of this demonstrates a consistent track record through periods of extreme change. You would have seen this morning, we reaffirmed our 2026 financial outlook for all key metrics. So we're tracking to deliver 14% compounded EPS growth over the last 10 years despite an extremely disrupted external environment from the pandemic, economic shocks, significant changes in government-sponsored health care programs and affordability pressures. That consistency comes from the durability of the company, our willingness to adapt as well as the way we execute with discipline.

Throughout that time period, many others in our sector had substantial financial resets and considerably more variability in their performance. So our disciplined execution and the deliberate choices we made about our portfolio have guided us since our last Investor Day. So it was about 2.5 years ago, we were last together for Cigna Group Investor Day. Since that time period, we've navigated a very dynamic environment. And through that, our Specialty and Care business now represents 37% of the company's total earnings, up from just 30% two years ago.

In Cigna Healthcare, our Select segment, which represents employers with 500 and fewer lives, we've grown the customer base by 12% since our last Investor Day. That's well ahead of the industry average, and we've continued to return a substantial amount of capital to shareholders.

Additionally, we've been able to navigate some significant policy and regulatory changes. A good example of this. Last year, we introduced our revolutionary new Signature model in Pharmacy Benefit Services. Rebate-free, the only company that's introduced that fully transparent, fee-based, simple, guarantees patients the lowest possible out of pocket. This model will fully scale starting in 2028, and it's where the industry is headed. So we're proud to take a leadership position by stepping away from the competition with our Signature offering.

We also were able to grow our EPS every year since our last Investor Day, which is a differentiated result relative to our sector. So our portfolio has continued to shape itself around Specialty Pharmacy, broader pharma services and employer sponsored health care. Now as CEO, there's a few areas in particular that I'm focused on to ensure the long-term sustainability of the company. One, is driving customer personalization with a particular emphasis on those who have the most complex health care needs. A second area is how we use data individual context with our customers, clinical capabilities, advanced analytics and AI to drive that personalization.

And finally, we'll continue to invest in our people and in our culture. All those things will ensure the long-term success of The Cigna Group. We have a strong foundation to build from. We have breadth across three strong growth platforms, balance and all of this supported by scale. So today, Cigna Healthcare represents about 40% of the company's earnings.

And Evernorth, our Health Services platform represents about 60%, of which 37% is Specialty and Care. So we have multiple earnings engines for growth. And they're mutually reinforced through clinical data, customer relationships, and distribution that are across enterprise in nature. So these deep relationships give us the ability to operate at scale. And in fact, today, we have some 22,000 employer relationships.

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Additionally, we have industry-leading access to limited distribution drugs in our Accredo Specialty Pharmacy with 330and counting. So this strong foundation across The Cigna Group positions us well for the future needs of the health care system. Right now, I would assert that the environment for health care is at an inflection point, and the current trajectory is unsustainable. Challenges are not just affordability, but also rising consumer expectations. We're seeing health care costs grow faster than inflation, faster than wages, faster than the economy.

The average hospital stay is up 280% since 2000. And while new prescription drugs have brought cures to many patients and significant innovative benefits that comes at a cost, with newly approved prescription drugs over the past several years being in the $200,000 to $400,000 basis on a median list price. Additionally, consumer expectations continue to increase. Relative to other parts of their life, people want health care to feel convenient. They want it to feel transparent. They want it to feel personalized. They want it to feel easy.

The silver lining in all of this is that the explosion of data, the advancements of technology, AI, advanced analytics, now make things possible that were not possible 5 years ago or 10 years ago relative to meeting those increasing consumer needs. Additionally, chronic and complex spending now represents the majority of health care costs. And it's where costs are growing the fastest.

So all these trends, all these market forces have shaped The Cigna Group's forward-looking strategy. So this is an important slide because it gives you a little bit of background for what the rest of the day will go deeper on. Lead to One is our single unifying vision that drives all 60,000 plus of The Cigna Group colleagues. The essence of Lead to One is driving personalization at scale. Personalization at scale for all the customers we serve, all the patients that we serve, all of those we are privileged to serve.

So this includes supporting those who are currently healthy, all the way through to those with the most clinically complex health care needs. When we achieve this, and we deliver personalization at scale, it will result in better affordability as well as improve customer experiences for those dealing with the health care system. And this vision is enabled by three things. One is our strategic growth framework. So you're going to hear from a number of our leaders today who are going to use our strategic growth framework to bring this to life in terms of how in each of our businesses we execute against this.

Secondly, one team. All of our colleagues around the world are oriented around serving our customers holistically, serving each patient as a complete person. And finally, Accelerate to One, which is our newly announced multiyear set of modernization and productivity initiatives. Ann will cover this in more detail when she talks about our financial update later today.

So our Lead to One vision, is driving personalization at scale, and it helps all customers across the entire clinical continuum. So for healthy individuals, we strive to provide the right preventative action at the right time. For those at risk, identify early warning signs before they become downstream problems. For those who currently have chronic conditions, it might be helping them stay adherent to their drug treatment protocols. And for those with the most complex care needs, coordinating across multiple providers.

They may see primary care physicians and specialists or clinical coordination across the medical plan, the pharmacy plan and the behavioral health. All of these integrated needs are important for the most clinically complex populations. So our Lead to One vision aspires to serve every customer across the entire clinical continuum. But the largest potential impact on both cost and health outcomes is for those patients who have the most clinically complex needs.

This is another important page because it provides some more context when we talk about complex care, which is the basis for many other things we'll discuss today. It's indisputable. Complex conditions are shaping the future of health care. Currently, just 8% of all patients have complex care needs, but it represents 55% of the total health care spending. So coordination is critically important for each and every one of these patients.

Costs are increasingly concentrated in these complex conditions. Additionally, drug spend is becoming a greater and greater share of total health care spending. And we're seeing complex drug innovation continuing to grow with most of the drugs in the drug development pipeline right now being high-cost specialty medications. So this is where our portfolio, our expertise and our infrastructure has been built to deliver value into the market.

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So our intentionally built portfolio leads to a high percentage of the health care spending that we impact being concentrated in complex care. And when I say complex, here, I'm talking about individuals who may take a specialty medication, they may see multiple providers, a primary care physician as well as specialists and they may require clinical coordination across their medical plan, their pharmacy plan, their behavioral health plan. A good example of this is the photo on the screen there of Kellie.

Kellie has Alpha-1 antitrypsin deficiency, which is a genetic disorder that can lead to lung and liver damage. Each of our businesses impact those with complex health care needs. Specialty and Care, 100% of what we do is complex health care. Every single one of the patients we serve has a complex health care need.

In our Cigna Healthcare business, about 55% of all the spending we impact is associated with complex health care needs, particularly important for those who become high-cost claimants. And our industry leadership position in stop loss makes this especially important for us when employers seek to provide budgetary protection against large claims. And in our Pharmacy Benefit Services, about 70% of all of the spending that we impact is associated with complex health care needs.

Typically, these are the high-cost branded drugs, which represent a minority of the prescriptions, but a high percentage of the spending. We're able to negotiate very attractive discounts from the drug manufacturers on these high-cost branded drugs and wrap that with clinical programs to ensure that patients stay adherent to their treatment regimen.

So all of this allows us to drive affordability and personalization at scale. And we're well positioned for growth across all of these business units. Each of our three growth platforms operate in large addressable markets today, and they have attractive income growth outlook through 2030. Again, when Ann gives you the financial update later, she'll take you through the building blocks of these income growth projections through 2030. You'll note that our Specialty and Care platform represents the highest percentage growth rate from now through 2030.

And we anticipate income growth in each of the three growth platforms. And importantly, the value that we create is both within each of the businesses, but also as mutually reinforced by cross enterprise capabilities. We deliver all of these results every single day through our strategic growth framework.

So throughout the day, we'll bring our Lead to One vision to life through this strategic growth framework. And there is three pillars here, three elements of it. The first is delivering core growth. Here, you can think about the strong foundation and the deliberately shaped portfolio that we've built over a period of many years. Secondly, how we leverage distinct capabilities, the complex care assets that we've built up over decades and the clinical expertise matched with the advanced analytics and AI. And finally, how we execute with discipline, both operational excellence, but also financial discipline from the standpoint of capital stewardship.

So I'm going to spend a few minutes on each element of the strategic growth framework to go a little deeper. We deliver core growth in a number of ways today. One, we deepened our services to meet consumer needs. A good example of that would be The Cigna Healthcare AI-powered virtual assistant that we introduced or the new specialty offerings that we put to the market the last couple of years. The second way is through transforming to meet evolving market needs. I talked earlier about our Pharmacy Benefit Services Signature model. You'll hear more about that from Adam later this morning.

We also introduced in July our new pharmacy forward innovation in Specialty and Care, which is reducing the time to therapy in half by taking out many of the manual touch points using the power of our clinical expertise with modern technology. A third way we deliver core growth is through expanding our distribution channels. A great example of this is in CuraScript, which is our specialty distribution business, already $25 billion of revenue today that growing double digits for many years in a row.

Matt Perlberg, will take you through a little more of the details on that later. And then finally, we continue to expand to new buyer groups. So a great example of this is Accredo, which is our industry-leading Specialty Pharmacy. Increasingly, it's being included in unaffiliated PBM and payer networks because we have great drug access and great patient experiences. So multiple avenues here for delivering core growth.

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Next, I'm going to go a little deeper on what we view as our unique capabilities to deliver value in the market on a differentiated basis. And these are increasingly difficult for others to replicate. So on this page, I've just selected a handful of unique capabilities. These are all specific to a complex care orientation. The differentiation that you see on the page has been built over a period of many years.

For Specialty Pharmacy. We have a network of clean rooms that's extremely difficult to replicate. Industry-leading access to limited distribution drugs over 330 today and our specialty distribution capabilities, which are particularly impactful for provider administered specialty drugs. In Cigna Healthcare, we have expertise in high-cost claimants, which is very important given the growth in high-cost claims across the health plan business.

And for Pharmacy Benefit Services, the ability to negotiate very attractive unit costs on high-cost brand drugs and wrap that with clinical programs such as SafeguardRx to ensure that patients stay adherent. So all these capabilities end up driving better outcomes and value creation into the market. So I'm going to go a little deeper on the expertise that we've developed in complex care to make sure there's a good understanding of this.

Our strategy allows us a better understanding of the underlying drivers of complex care because in health care, complexity is very rarely driven by one factor. Typically, patients have multiple coexisting conditions, or they're taking specialty drugs and nonspecialty drugs, or they're seeing a primary care physician and a specialist or they require coordination across their medical, pharmacy and behavioral health plans.

So we engage across the patient's entire health care journey. We're able to address root causes and not just the visible symptoms. The ability to identify those signals, convert them to insights and influence health outcomes is what's differentiated here. And the key to all of this is taking the wealth of data we have and converting it through to personalized actions. And we do this through what we call our health intelligence engine.

When I say health intelligence, I'm talking about taking the data we have, the clinical expertise, the individual context that we have on each of the customers and patients who we serve, converting that to insights and then personalized actions. This is a key enabler of our Lead to One vision, which is driving personalization at scale. And we have a really broad data set. It spans medical, pharmacy, behavioral health, dental. We're able to take that and generate new data with each customer interaction that we have, whether it's in a call center, whether it's each time they claim.

So importantly, these differentiated assets that we've built up over a period of time play a key role in converting this through to execution. And again, the result here, better health outcomes, improved affordability, better customer experiences with the health care system. Now related to all of this is a thoughtful approach to how we address innovation and how we think about partnerships.

So within The Cigna Group, we've built up an innovation ecosystem that's oriented around deliberate choices when we build, when we buy and when we partner, all meant to drive value faster. So we approach innovation with discipline and pragmatism. And at the end of the day, when we decide to build or buy, it's because we see an advantage from a differentiation standpoint or we believe there's value and ownership. Conversely, we partner where others can drive value faster or more cost effectively.

So a good example of that right now is frontier AI models. Others can -- we can partner with others who can do that more effectively than we can. So we foster an environment inside The Cigna Group to test, integrate and scale innovation. Now all the capabilities I just walked through the last several minutes are important. They create market opportunity. But disciplined execution is the key to bringing this to fruition.

Our results demonstrate over a long period of time, a disciplined track record of execution. That includes operational excellence, which shows up in strong client retention, as well as strong customer experience relative to Net Promoter Scores and other measures of customer satisfaction. And we're working across the organization to simplify, streamline decision-making and improve efficiency. So today, we're announcing a $3 billion multiyear efficiency and modernization set of initiatives.

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And again, Ann will unpack this a little bit further later. We also continue to generate very strong cash flow, which gives us strategic flexibility. And we employ a Capital-light model. So we continue to reinvest in ourselves first and foremost, but have enough free cash flow that we have a multifaceted approach to capital deployment. Now this execution orientation is only possible if we have great people and a strong culture.

Our culture is oriented around long-term value creation. And as I said earlier, operating as one team, one team serving customers holistically serving patients holistically who we have the privilege to serve. And there's a few principles that are important about our culture. We emphasize both purpose and performance. We emphasize serving customers, but also the communities where we live, work and play.

We focus on business unit expertise, but also in enterprise mindset. And as CEO, I'll be focused on continuing to strengthen this culture to accelerate our impact and a good example of where that focus will come through is in our Lead to One vision, how we can accelerate progress in delivering personalization at scale. And a good example of this is how each of our 60,000-plus colleagues embrace the power of data, clinical expertise, modern technology and advanced analytics and AI to convert our Lead to One vision to reality.

So we are investing in a learning and development journey for all the colleagues across The Cigna Group to ensure we're prepared to execute against our Lead to One vision. Additionally, we continue to get back to the community. I'm proud to say we had 114,000 volunteer hours just last year. And today, we're announcing a new $10.5 million commitment to support patients who have complex health care needs and their caregivers.

So our culture emphasizes accountability, innovation, collaboration and importantly, a disciplined focused execution. So when you combine everything I just went through, deliberate portfolio shaping, differentiated capabilities, an orientation around execution discipline and a strong culture, the financial proposition is clear. We are well positioned over the long term for durable long-term EPS growth.

Our portfolio is aligned to the trends that are reshaping health care. We have and will continue to drive transformative change in the market, and we're confident in our ability to deliver 6% to 9% average annual income growth through 2030. Plus, our continued disciplined capital deployment, which will add 4% to 5% of EPS accretion annually.

So in total, we expect 10% to 14% average annual EPS growth through 2030, plus an attractive shareholder dividend that currently yields over 2%. So today, you'll hear from a number of our leaders about how we will execute against these specific goals. Our leadership team has been built for this journey. We have expertise across the health care system from clinicians to relationship experts to those who have deep expertise in the supply chains.

Our enterprise leadership team has over 14 years of experience at The Cigna Group on average. So we understand the company's strengths. We have institutional knowledge and yet we also bring an outside-in set of diverse perspectives. But most importantly, our team is aligned around one strategy, one set of priorities and has one orientation to execution.

So as I move to close, I'd like to leave you with why we see The Cigna Group as being such a compelling long-term investment. We've positioned ourselves in the areas of health care, where needs and spending are concentrated today and growing in the future. We have differentiated positioning in complex health care, in particular.

Our Lead to One vision is a clear unifying destination for all of our employees to deliver personalization at scale. For all the customers and all the patients we have the privilege to serve. We have a deliberately shaped portfolio with strong business unit expertise, but also mutually reinforcing enterprise capabilities. And we have a strong track record of executing both operationally and financially. We're also not relying on any one single market trend in the future, one single future innovation to deliver against these results.

So all these capabilities taken together position us for durable growth and long-term shareholder value creation. So thanks for your time. I'm going to turn it over now to the team who's going to bring this strategy to life for us.

Matt?

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Operator

Please welcome Matt Perlberg.

Matt Perlberg - *The Cigna Group - President, Evernorth Pharmacy and Care Delivery and Executive Vice President, Customer Innovation*

Good morning, everybody. I'm Matt Perlberg, President of Evernorth Pharmacy and Care Delivery and EVP of Customer Innovation at The Cigna Group. It's great to be with you all. I've been with the company for about 13 years, and I've had the privilege of leading pharmacy and care delivery for the past five years. This morning, I'm going to talk to you all about the specialty market overall and why we are uniquely positioned to deliver sustained attractive growth.

We're going to cover a lot of ground this morning, but there are four key things that I want you to take away from this presentation. First, Specialty is a large, fast-growing market where we deliver personalized care to patients with complex conditions. Second, Specialty is a growing contributor to the earnings of The Cigna Group. Third, we are the leaders in Specialty. We have differentiated assets and capabilities that are very difficult to replicate. And then lastly, we have considerable runway to expand our addressable market, particularly in the medical benefit space.

To understand why we're so well positioned, it's helpful to look at the breadth of our Specialty ecosystem. We have a number of different businesses, and we serve a broad range of stakeholders, including over 1 million patients. Collectively, our businesses generate over $100 billion in annual revenue. We have a broad national footprint. We have leading access to medications. We have deep relationships across the health care ecosystem.

And we have a track record of delivering strong results. Over the last two years, since our last Investor Day. We delivered strong earnings growth at the high end of our range. We expanded access to generics and biosimilars. We expanded access to limited and exclusive distribution drugs. We grew our footprint and we have enhanced our capabilities. As a result of all of that, Specialty now represents a greater portion of The Cigna Group's total earnings.

Now before I go much further, I want to take a step back. And I want to talk about what we mean when we talk about Specialty and how Specialty ties to our broader Lead to One vision. First, worth noting, every Specialty patient has a complex condition. And Specialty drugs are those that are used to treat patients with those complex conditions like MS or hemophilia or cancer. Very often, these are infused or injectable medications.

They'll typically have strict storage and handling requirements. The Specialty pharmacies who treat these patients do much more than just dispense drugs. At Accredo, our industry-leading Specialty Pharmacy, we deliver highly personalized patient care. We have teams of clinicians, nurses, pharmacists and more, who deliver round-the-clock care for patients. This personalized care and Specialty really matters.

Let me give you an example. There's a condition that we treat within Specialty called hereditary angioedema or HAE. There's a picture on this slide of a single 30-day prescription for HAE. Take a look at that. A typical retail pharmacist. They could go their entire career and never see an HAE patient, never. Our clinicians, they treat these patients every single day. The medications and Specialty are also often quite costly.

Specialty drugs can cost hundreds of thousands or even millions of dollars per patient. As a result, Specialty is an important and fast-growing part of health care. Specialty drugs are now a roughly $480 billion market, growing in the high single digits each year. Several factors are driving this growth. First is a wave of complex drug innovation.

The Specialty pipeline remains quite strong. We expect about $100 billion in sales from new products launched by 2030. Second, we see growth in existing medications. Since 2000, Specialty drugs have nearly doubled the number of conditions that they treat. And then lastly,

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we continue to see growth in generics and biosimilars. Generics and biosimilars offer savings opportunities for patients as well as plan sponsors.

We've already seen several large generic and biosimilar launches, HUMIRA and STELARA to name a few and yet we expect about $100 billion in annual spend to face new competition by 2030. Within the broader Specialty space, patients can be treated under their pharmacy benefit or their medical benefit. We have strong and growing positions in each. And as I'll touch on in a minute, that's a differentiator for us. Let me first start with the pharmacy benefit. This is about 60% of the overall market.

It is growing in the high single digits each year. It typically includes drugs which are self-injected in a patient's home or drugs covered under Medicare Part D, like HUMIRA. We are leaders in this space. We serve about a quarter of the pharmacy benefit part of the market, primarily through our Specialty Pharmacy, Accredo. Accredo treats over 1 million patients with over 8 million Specialty prescriptions annually. Accredo generates about $80 billion a year in revenue. Worth noting, of that $80 billion, about 40% comes from sources outside The Cigna Group.

So outside Express Scripts, outside Cigna Healthcare, patients, payers, providers, manufacturers, they choose us because of our differentiated capabilities, and I'm going to talk about those in a minute. The other 40% of the market is the medical benefit space. This space is growing in the low double digits. It typically includes drugs which are infused in a provider setting, where drugs covered under Medicare Part B like oncology infusions. We compete here by serving health care providers and helping those providers deliver Specialty care.

The largest of our businesses in this space is CuraScript, our Specialty distributor. CuraScript serves over 12,000 health care providers. We deliver complex medications to physicians' offices, hospitals, health systems and infusion centers. CuraScript generates about $25 billion a year in revenue. To put that $25 billion in perspective, if CuraScript was a stand-alone company, it would be a Fortune 200 company on its own. We also have several businesses that help hospitals and health systems treat Specialty patients.

Last year, we acquired CarepathRx. Carepath provides outpatient and home infusion services on behalf of hospitals and health systems, and we invested in Shields Health Solutions. Shields is the leader in helping hospitals and health systems run their own Specialty Pharmacies. As we look towards the future, we expect outsized growth in this medical benefit space. So stepping back and looking at the whole market, how do we access all of this growth?

Well, our growth strategy is based on three key capabilities. And what I'm going to do next is I'm going to talk about each of these capabilities. I'll talk about how we differentiate today and how they drive our growth going forward. First, let me unpack our clinical and patient experience leadership. We have a clinical model in our Specialty Pharmacy Accredo that we have built and enhanced over decades. A hallmark of that model is that we organize patient care by disease state.

We have 15 therapeutic resource centers, or TRCs, where our clinical teams specialize by disease. So we have a TRC for blood disorders. We have one for neurological disorders. We have one for oncology and several others. In many ways, our Specialty Pharmacy operates like 15 smaller pharmacies within a much larger ecosystem. This gives us the benefits of being large and small.

So we have deep levels of personalization, but we can deploy that personalization nationwide. We also have a leading clinical team. It includes over 1,000 specialized pharmacists. It includes dieticians, social workers, and it includes our team of more than 850 field-based infusion nurses. These are highly trained, specialized nurses. They are experts in their field. They deliver care in patients' homes in provider settings and they are out in their local communities. Nearly 90% of our patients live within 1 hour of one of our nurses.

Unlike many others, we employ our nurses directly. This gives us a much better and more coordinated level of patient care. It also helps our patients form relationships with their nurse that can, in some cases, literally last generations. If you are someone with one of these complex conditions, that level of personalized care from your caregiver really matters.

The second key capability is our supply chain and operations advantage. First and foremost, we have leading cost of goods. Because of our capabilities, our reach, our expertise, we buy drugs and serve patients more efficiently than others, full stop. In addition, we have leading

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distribution capabilities through CuraScript. Earlier, I mentioned that CuraScript is a $25 billion a year business. Well, CuraScript has been growing at about 20% per year for the past five years, helping us reach even deeper into the supply chain.

Then we also have leading operations capabilities. We have over 30 care delivery sites. And we have four clean rooms. These are highly sterile environments where we safely mix and compound some of the most complex drugs. It can take years to build, license and operationalize one of these clean rooms, not to mention all of the technical expertise to run one on a day-to-day basis.

Most pharmacies do not have a clean room. Ones they do, maybe they have one. We have four of them, and they're deployed across the country so that we can reach patients nationwide. But rather than just hear it from me. I'd actually like to take you inside one of our clean rooms. And what I want you to do is pay attention to the level of personalized care that we can deliver for patients with the most complex conditions. Let's roll the video.

(video playing)

Thanks. As you can see, these clean rooms are pretty special, and they're one of the many ways that we personalize care for patients every single day. The final capability that I'll touch on is our leading access to medications. In the Specialty space, manufacturers often choose one or a limited number of partners to treat patients on their products. Remember, these drugs are very complex.

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, and they need a partner that can personalize care for each patient on each drug. We do this better than anyone. That's why at Accredo, we are the leader in access to limited distribution drugs. We have access to over 330 limited distribution drugs. This includes more than 30 products available exclusively at Accredo.

And just like Accredo is the leader in access to limited and exclusive distribution drugs, CuraScript is a leader as well. Manufacturers value that we are a one-stop partner. We can treat patients under the pharmacy or medical benefit space regardless of where they access their care. Each of these capabilities that I mentioned, they don't just operate on their own.

They come together to create a flywheel that gives us a durable competitive advantage. Let me give you an illustration as to how this works. The better clinical care we provide, the more access to drugs we win. The more access to drugs we win, the more patients we are in the right to serve. The more patients we are in the right to serve, the better our supply chain and operations advantage, and we can use that advantage to return value to our customers as well as invest in additional capabilities.

That's the flywheel. That's why we've built a leadership position over multiple decades, and it's why we're confident we will continue to lead going forward. And yet we are not standing still. We're continuing to innovate and execute for the future.

And there's three areas of innovation that I'm going to touch on. One is around technology, and others around our footprint and another is around new solutions we're bringing to market. First, let me unpack technology. We recently brought to market a new AI-powered program that will help us deliver even better patient care. It's called Pharmacy Forward.

It will help us get patients started on therapy much faster, enhance the care our clinicians provide and allow us to deliver even more personalized care. This is one part of our broader health intelligence engine, and you're going to hear Katya talk about that a little bit later. Second, we are growing our footprint. We're building new sites. We're expanding existing sites. As you heard Dave mentioned in the video, we are even building a fifth clean room. This will create capacity for millions of new prescriptions and help us keep up with all the rising demand that we see.

And then lastly, we're bringing new solutions to market. I'll give you a couple of examples. One that we are really excited about. We are launching a channel expansion alongside CuraScript called Evernorth Wholesale Distribution. Evernorth Wholesale Distribution will allow us to gain access to new medications and help us grow our business with new customers as well as existing customers. Second, we are bringing together pharmacy and medical benefit capabilities and improving options for patients.

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We recently brought to market a new pharmacy network whereby patients can choose whether to access care in their home through Accredo or a provider setting overseen by Shields. We have about 2 million lives currently enrolled in this network. By January 1, we expect to expand that to about 6 million. And then lastly, we are creating new customized programs for manufacturers, and there's lots of different examples I could cite here.

But rather than hear it from me, I'd actually like you to hear it from one of our manufacturer partners. This is a manufacturer that recently brought a new oncology product to market, and they chose Accredo as their exclusive Specialty Pharmacy. I want you to listen to them talk about why they chose Accredo and the differentiated capabilities that we have. Let's roll that video.

(video playing)

What you just heard from Sylvio is one of the many ways that we personalized care for patients every single day. So I know I covered a lot. Earlier, I said there were four things I wanted you to take away from this presentation. First, Specialty is a large, fast-growing market where we deliver personalized care to patients with complex conditions. Second, Specialty is a growing contributor to the earnings of The Cigna Group.

We will deliver 8% to 12% long-term annual earnings growth. And by 2030, Specialty will represent more than 40% of The Cigna Group's total earnings. Third, we are the leaders in Specialty. We have differentiated assets and capabilities that are very difficult to replicate. And then lastly, we have considerable runway to expand our addressable market, particularly in the medical benefit space.

As part of this, we will add about $20 billion in new distribution revenue by 2030. We are the leaders in Specialty today. We are well positioned to lead going forward. Thank you all so much.

Operator

Please welcome Bryan Holgerson.

Bryan Holgerson - *The Cigna Group - President, Cigna Healthcare US and Executive Vice President, Customer Health Outcomes*

Good morning, everyone. I'm Bryan Holgerson, I'm the President of our Cigna Healthcare business in the US, and I also lead our efforts to improve health outcomes for The Cigna Group. I've spent more than 25 years at the company, working with employers and delivery system partners. And what I can tell you is the challenges that they're facing right now in the market around health care has never been more complicated. The health of the population continues to deteriorate.

Pharma innovation is offering incredible breakthroughs. And at the same time, that combination is creating an affordability challenge that is not only real, but it's growing. And we've seen very clearly that those concentration of costs are increasingly prevalent in individuals with complex conditions. And that's where our health plan model, leveraging the unique assets of our company is built to win.

So today, I'm going to focus on a few key areas that I'll outline here in just a moment. First, it's our differentiation. The combination of our health plans improved affordability position, our strength in our integrated model with particular focus on complex care and our expertise in risk transfer. Second is our market position. Select is our growth engine and how we can extend that growth upmarket.

And then third, we are investing in areas of differentiation. And through our execution, what you'll see is we are going to personalize at scale and will strengthen our risk management capabilities. That combination is going to be the fuel for our growth as we go forward.

Now let me back up just a little bit, and I'll start with the foundation for our business. So first, Cigna Healthcare is approximately 40% of the enterprise earnings, and we serve more than 18 million medical customers. These figures include our international health business, which

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LSEG DATA & ANALYTICS

is growing and comprises about 10% of Cigna Healthcare. Now today, I'm going to focus on our US employer business, where we serve over 20,000 unique employer relationships, and we serve them across three segments: National Accounts, Middle Market and Select.

And there are several drivers that support our growth across these businesses. First, we have deep employer relationships. And as I mentioned, an improved affordability position. Second, it's our integrated model. We bring together medical, pharmacy and behavioral to create one connected view of the individual. This helps us identify needs earlier. It helps us engage customers more precisely. And ultimately, it helps us deliver better outcomes and lower cost for the employers that we serve.

And third, it's our continued growth in Select, where our integrated model, combined with our risk transfer expertise allows us to create funding solutions that are unique to the needs of each individual employer that we serve, which is a big differentiator in the market. And we see opportunity to bring those integrated capabilities further upmarket.

Now that foundation is what's enabled our success over the last two years since our last Investor Day. So since our last Investor Day, we've grown our US employer base by 4%. We've gained share in middle market and we've grown in Select our targeted growth engine by 12%. That growth has been supported by our improved affordability. As I mentioned, we've improved our unit cost position in 70% of markets nationally.

And at the same time, we focused on making care more connected and personalized for the individual that we serve, especially for individuals with complex care needs. So for example, we've expanded our My Personal Champion program. This program is the high-touch support model that supports individuals with complex care needs. Now all of these things combined demonstrates that our value proposition is resonating in the market.

Now backing up from this, the US employer market remains large, and it's growing in line with health care costs. Even as enrollment remains relatively stable, and we see through our value proposition, an opportunity to continue to grow. So I already mentioned our unit cost position. We are in a unit cost competitive in approximately 70% of the markets nationally. That's more than double where we were in 2019. Ultimately, what that does is that allows us to compete in more markets where historically we've been underpenetrated. It's a catalyst for growth.

Select is our growth engine, and it comprises nearly twice the earnings compared to a share of membership. We have 8% market share, and we've got significant runway for continued growth. Also in middle market where we've got 14% market share, we're growing. In National Accounts, a segment where we've got 10% market share, we see opportunities to bring our capabilities further upmarket.

So in summary, what we have is a scale base, a stronger affordability position and multiple clear paths for growth. Now growing is ultimately dependent on the value that we bring to employers and to the customers that we serve. And that starts with how we support individual customers across the health care continuum from the healthy to those who have complex needs.

Our Lead to One approach is about understanding the specifics of each individual person and personalizing care for those individuals so that we can help them improve their outcomes and ultimately lower cost. This is a better way of doing it rather than treating each individual transaction as its own. For people with everyday health needs, capabilities like our AI-powered virtual assistant, helps them more easily understand their care and get answers to questions quickly. And if those needs emerge, we're able to identify opportunities and again, engage them quickly. And for individuals with complex care needs we leverage our clinical support expertise to personalize care and coordinate it.

Now the reason why this approach is really important is because of the challenges that customers, doctors and by extension, employers are facing in the current health care system. So if you only remember one thing about the opportunity that we have and why we're investing where we are, remember this, fragmentation in our system across the health care system represents approximately one-third of inefficient spending, one-third of efficient spending. This is due to poor coordination. It's due to administrative complexity.

And at the end of the day, it creates low-value care. So a person may see multiple providers. They may receive duplicative tests, and they may have to repeat the same information over and over again. What ends up happening is individuals get lost in the system. Outcomes

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suffer, employers end up spending more for inefficient care. That challenge is even more pronounced for individuals with complex care. These are the individuals that spend the most time in the system and have the most cost.

The alternative is to bring all of those disconnected pieces and bring them together. This is why our integrated model, which leverages medical, pharmacy and behavioral to create one connected view of the individual, enabling better coordination and better support is so important. And through our Lead to One strategy, our goal is to create the next level of personalization to unlock even more value for the people that we serve. Now today, Select is the clearest proof point of how we do this. And not only does it create value for the employers that we serve, it creates business value for us.

All of our Select clients have integrated benefits. So medical, pharmacy and behavioral together. And what it does is it creates a compounding advantage. So as we're able to use those benefits in the data and integration that comes from it, we're able to identify and engage customers sooner to impact their health at the end of the day, improve their outcomes and lower cost. We see that happen every single day in our integrated model.

So for example, customers who are integrated, they connect with our clinical support 50% more often than customers who aren't. These same customers also receive behavioral health care 35% more often, and they're using virtual care 63% more often. So for employers, there's direct value, the direct value is lower cost. There's also indirect value. That value is a healthier workforce.

There's also aligned incentives in the way that we work with them. Through our unique funding solutions, employers share in the upside with us. And this is the value creation that's led to our significant growth since our last Investor Day, 12% growth in Select. And in Select, we generate approximately twice the earnings compared to its share of membership.

Now we are going to continue to grow Select. We expect to be at 10% market share by 2030. This is a net new customer growth of nearly 800,000 individuals. And the opportunity to capitalize on our differentiation extends beyond Select. So upmarket, we've made really good progress adding pharmacy benefits to our medical relationships.

Our next opportunity is to add medical benefits to where we have pharmacy relationships. This represents almost 10 million pharmacy-only lives across middle market and our National Accounts. And this is not reflected in our current growth expectations. So it's additional upside for us. How do we think we can do it? Well, there's two things that sets us apart. First, we are going to win on affordability and complex care.

As the prevalence of individuals with complex care goes up, and the cost goes up, our integrated model becomes even more important for the clients that we serve, leveraging our pharmacy, specialty and behavioral assets combined into one integrated view of a customer, that gives us a competitive advantage. And second is innovation in this area. You will see we are going to invest in new services and capabilities that are going to improve the customer experience and expand our clinical impact to create even more value.

So here, the opportunity is really straightforward. We have strong relationships today. We're going to leverage our differentiated capabilities and we're going to invest more here to help individuals with complex needs. Now I'm going to go a little bit deeper into the capabilities around this behind our differentiation. So this is an important slide. It's important because it outlines the interconnected capabilities that we're investing in as we go forward. First, we are going to strengthen our integrated data foundation to build an even more connected view of the patients that we serve.

Second, personalization at scale through a new customer and clinical support model that we call Health Sense, which is powered by our health intelligence engine. And then third, we are going to build on our leadership in risk transfer expertise. We are going to do this by using our personalized data and capabilities to not only improve outcomes and affordability but also leverage it to strengthen our underwriting and our risk management performance.

So while each of these capabilities is important on its own, it's really the combination that's going to create the fuel for growth as we go forward. So next what I'm going to do is I'm going to break down each one of these, so you guys can get more of a picture of each of the

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pieces. I'm going to start with integrated data. So the value of our integrated model shows up in the numbers. Across our book integrated customers save significantly more dollars than our nonintegrated customers.

And that value rises with complexity. So for an individual with Cardio-Diabesity, it's $2,000 per member per year. For the average specialty condition, it's $8,000. And for a cancer patient, it's $28,000 per member per year. And that's because there's no standard journey for an individual with a complex condition. Every individual we serve with a complex condition and even those that have the same diagnosis can require different care treatments, different settings and they may need different support.

The best care plan is one that's individualized for the person. Our integrated data gives us a connected view across the health care journey. And combined with our capabilities in Pharmacy Benefit Services and specialty and behavioral, we can deliver a more personalized, coordinated care experience for an individual. So let me give you a couple of examples.

For a patient with cancer, we are able to leverage our site of care capabilities to make sure that high-cost infused drugs are not only delivered clinically appropriately, but in the best setting for cost efficiency, and we can connect them to our therapeutic resource centers that Matt described earlier or for a patient with rheumatoid arthritis, we can help improve affordability by leveraging our biosimilar capabilities through Quallent, and similarly, we can ensure that these individuals are connected to our inflammatory therapeutic resource center. So because we see more of the patient's journey, we can make the right connections to make sure they get the best outcomes at the lowest cost.

Now the next opportunity that we have is to use these insights earlier and even more precisely. So this is why we're investing even more in personalization at scale. As I mentioned earlier, fragmentation is a huge barrier. It's driving much of the waste that's in our system today. And we see this as a huge opportunity. It's an opportunity for us to transform the market expectation of our impact. And through Lead to One, we are building on our integrated capabilities. We're using AI to personalize support at scale. And this is why we're introducing Health Sense. Health Sense is our next-generation customer and clinical support model.

It is going to deliver more personalized, proactive and continuous support across the individual's health care journey, powered by our health intelligence engine, and embedded across our Cigna Healthcare experience. It combines data, AI and personalized clinical support to anticipate needs, guide actions and connected individual to the right clinical support at right time. We expect the impact of this work to reduce health care inefficiencies by 10% by 2030. Katya and Dr. Flaster are going to go deeper on these capabilities in a few months.

Now when we combine this work with our risk transfer capabilities, it creates even more value for the employers that we serve and by extension, creates more value for us. Earlier identification and better engagement leads to better outcomes and lower cost. It helps us better predict and manage risk also. So the question is, why does this matter? What matters because we are the industry leaders in stop loss.

Our expertise has allowed us to build the industry's best risk management engine. These capabilities support a broad range of funding solutions from our fully insured to self-insured and flexible arrangements in between. That flexibility is particularly important in our growth engine, Select, where 68% of our clients are self-funded and the markets at 30%. For clients who choose self-funded or flexible arrangements, we help them manage the risk, and we have aligned incentives. So when we create value for them, they have a lower cost and we are able to participate directly in the value that we create.

So our risk transfer expertise is not only a competitive advantage for us, but we're also using it to strengthen the position through advancements in predictive analytics. We do this by drawing on hundreds of millions of claims and our clinical interventions that we have to create a more connected and fuller picture of an individual. This is what enables the identification in the intervention that I spoke about. It is also what is allowing us to sharpen our risk management and our underwriting skills.

Now at the end of the day, execution is what's critical to us taking advantage of the opportunities that lie in front of us. So there's three particular areas of focus around execution. The first is expanding our addressable market. By expanding our addressable market, this gives us further runway for growth. We will further improve our unit cost position by another 10% by 2030.

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Second is innovation. We are investing in new solutions to bring to market that will personalize individuals care at scale and help us make that impact. Again, Katya and Dr. Flaster are going to go deeper on these capabilities in just a little bit. And then third, we are leveraging technology to improve our risk transfer capabilities. Not only will that fuel the identification, the engagement and the clinical impact, as I mentioned, we're using it to sharpen our underwriting and our risk transfer skills.

So let me leave you with what matters most, a few things. First, the combination of our improved affordability position, our integrated model, in our risk transfer capabilities create a competitive advantage for us to trade off. Second, the employer relationships that we have and specifically the momentum in Select will help propel us, and we think there's opportunity to continue to do that upmarket. And third, the execution discipline that we'll bring, particularly in areas of differentiation is going to matter.

This will help us improve our addressable market. It's going to help us strengthen our risk management capabilities and it's going to help us personalize at scale. So this is why we're confident in the commitments that we've laid out. One, delivering earnings growth of 6% to 9%; two, expanding our Select market share to 10% by 2030; and third, reducing inefficient care through a focus on the complex by 10% by 2030. Thank you all.

Operator

Please welcome Adam Kautzner.

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

Good morning, everyone. My name is Adam Kautzner. I am President of Evernorth Care Management and Express Scripts. I'm also Executive Vice President of Customer personalization for The Cigna Group. And I'm excited that all of you are here with us today as we talk about our Pharmacy Benefit Services business and where we are currently today and where we're going for the future.

I'm going to cover three main components today throughout the presentation. One is how we remain an essential partner around managing the growth of drug spend. Two, we continue to innovate and lead the industry as evidenced by our Signature Pharmacy Benefit Services model that I'll go into deep later on. And lastly, how we will continue to deliver sustainable and durable earnings that are predictable for the long term.

Today, we have a mature and stable Pharmacy Benefit Services business. We have $140 billion annually, of which $2.6 billion is earned income before taxes. We service 117 million Americans, about one-third of the entire country's population. We'll process over 2 billion prescriptions this year, and we manage a pharmacy network of over 65,000 pharmacies across the country. It's this size and scale that we have that allows us to be able to deliver an unmatched cost of goods, it also allows us to be able to continue to innovate around market-leading solutions around complex care.

And lastly, it provides us with the ability to go deep with our clients from a clinical and care perspective to deliver on safety and efficacy for them. Now it's been a couple of years since we've all been together. And during that time, we've been very busy.

We've delivered on strong new sales growth, which has manifested into a 30% plus revenue CAGR during the period. We've also continued to go deeper with our clients and improve those relationships as evidenced by our client retention levels of 95% or higher. We've continued to innovate in the spaces around disease-specific therapies for patients requiring those complex care needs. GLP-1s is one great example, where we've had the broadest suite of solutions in the market, and we've been able to continue to move that market as it has evolved over that time period. And then lastly, our new rebate-free Signature model, which is revolutionizing the industry, delivering change that has been not seen in decades within the space.

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Pharmacy Benefit Services today is a $500 billion business, of which 70% is for patients that have complex conditions. Those patients require specialized care. This is also where pharmaceutical manufacturers are continuing to focus. 75% of their pipeline spend today is for those patients that are requiring those complex conditions. What that means is that over time, we're going to continue to spend more and more on fewer and fewer patients. This is where our vision around Lead to One continues to come in.

The development of our Signature model as well as us continuing to develop disease-specific solutions that provide best-in-class outcomes for our patients and for our investments within the technology space that you'll hear more about later today. One of those is our new leading industry component around our platform, which will set new industry standards for flexibility, speed and quality. Those areas of focus are continuing to be extremely important as you look at the continued growth within the pharmacy space.

Just a decade ago, pharmacy only accounted for about 20% of total health care expenditures. Today, it's 30%. And in another decade, we project it to be over 40%. Much of that is because of the specialty space and that continued focus in that area. Specialty only accounted for about 12% of total health care expenditures a decade ago. Today, it's about 20%.

We project it to be about 30% in another decade. This is requiring real focus, where a Pharmacy Benefit Services company can't just adjudicate claims. They have to have a much deeper understanding of the clients' needs of what's happening in the market and be a strategic partner for clients and patients alike. That's where we continue to step in, and we're able to continue to successfully bend that cost curve. It's also an area that we have quite a bit of experience in, because if you go back a couple of decades ago, generic drugs only accounted for about 40% to 50% of all prescriptions.

We went to work educating providers, clients, patients on the access and affordability benefits around generic prescriptions. What that has allowed us to be able to do is use that type of playbook where today, generics account for 9 out of every 10 prescriptions and use it within the specialty space around biosimilars. Biosimilars provide an opportunity of 60% or greater savings over and originator biologic, and we're utilizing that type of success with the biosimilar medications, HUMIRA, it was the largest drug in the world. We've been able through our work to ensure that 85% of our eligible patients are trying that biosimilar product. STELARA, another blockbuster medication. About 75% of patients are trying that biosimilar product.

It's that type of success that we're continuing to utilize as we work through a highly evolving market. Because for the first time in decades, we're actually seeing a decline in gross rebates. Whether that's most favored nation inflation reduction act effects or biosimilars, we're seeing gross rebates come down. That's leading to more unpredictability for our clients because they retain all or nearly all of those rebates today, and they're looking for something that works and provides them with better predictability into the long term.

In fact, as we polled our clients, many of them are seeking new innovative components for the future. And our new rebate-free model looks to deliver on that for them, where nearly 90% of our clients are seeking better transparency, more predictability and being able to address the emerging concerns around fiduciary responsibilities. Signature addresses those concerns. The same thing for patients.

Nearly 80% of our patients that are pulled have a pretty reasonable ask. We want to know what the cost of that drug is well before we go to the pharmacy counter. This is something we're able to deliver with our new model and our price assure functionality, where we're delivering on new upfront discounts that are negotiated on behalf of our patients where they can see real meaningful savings at the pharmacy counter.

But before I go deep on Signature, let me talk about three areas where we continue to excel in the market. Our product solution suite, our ability to bend the cost curve from an affordability perspective and our safety, clinical and quality components. On our product and solution set, we have the broadest breadth and depth of solutions in the market. We're able to understand what our specific clients needs are for their unique patient populations. By doing so, we're able to curate solutions that provide a customized effect for exactly what they're looking for within that solution set.

From an affordability perspective, we continue to apply tried and true measures from a formulary development perspective that can bend that cost curve while maintaining high levels of member satisfaction. And lastly, on the clinical quality and safety components, on every single prescription, as I mentioned, we're going to do over 2 billion prescriptions this year. We perform 18,000 safety, quality and benefit

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checks nearly instantaneously to ensure that every single patient is receiving the right drug in the right amount where and when they need us. This is what our clients and patients count on, and we deliver it millions of times every single day.

How that comes to life in terms of specific client examples? This is a large employer that recently became part of our portfolio. This was an employer that business was doing really well. They had a relatively unmanaged plan, as you can see by the level of spend, about $360 per member per month. And they knew that, that was unsustainable, and they were looking for real solutions to bring that cost down.

But at the same time, they needed to better understand what it would do from a member affordability perspective and member satisfaction. We spent time with them, understanding their specific needs for their populations. And we deploy a multitude of solutions. So not one size fits all. We went deep, we understood what are all the different components that they needed, and we deployed those types of solutions. We cut their costs in about half, and we were able to maintain true high levels of member satisfaction. It's that type of approach that's a personalized component where Evernorth continues to excel and deliver on the market compared to where others are.

It's also that type of better understanding and innovative approach that we're applying to the market with our new Signature Pharmacy Benefit Services. We launched Signature back in October of last year, but there was a lot of work, a year plus in advance because we knew, given the unpredictability and change that was happening in the market, there had to be a better way. We started with the consumer, understanding and addressing their pain points from an affordability perspective and then worked back to solve the rest of stakeholder needs across the market. So we launched Signature in October of last year. Subsequently, we proactively engaged with the Federal Trade Commission and reached a successful settlement.

And then earlier this year, Congress passed the Consolidated Appropriations Act. It's the most far-reaching industry change that we've seen in decades. Those two items create a Federal clearing event for us across that landscape. We're now moving into an execution phase as we've been educating the market, we're going to go live for Cigna Healthcare's fully insured book next year with Signature, and then the rest of the commercial market has the opportunity to then enroll in 2028. Now keep in mind, during that time as well with the CAA going into effect, the entire market is going to have to make changes around how they procure pharmacy benefits.

That provides us a real opportunity given the evolving components that are happening within the market and our ability to affect that change. Signature has four unique components. One is specifically for the consumer. It's real meaningful discounts in a transparent way at the pharmacy counter that we negotiate upfront. They're not retroactive, they're not retrospective or estimated. They're real discounts as we continue to redefine how we negotiate within the supply chain with manufacturers.

Second, transparency. Our clients demand additional transparency, Signature delivers on unprecedented additional transparency, so they can track where every dollar goes within their pharmacy benefit. Third, how our fees are structured. So no longer will our fees be tied to the cost of a drug. Instead, it will be a simple, flat administrative fee tied to the value that we provide to our clients.

What that delivers? Sustainable, durable earnings in a predictable fashion for the long term. If you dig a little deeper in terms of what that means from a patient perspective, patients today that are taking high-cost branded drugs, we'll see on average savings at the pharmacy counter, if they're in a deductible phase or if they're in a high coinsurance environment, savings of about 30%.

Upfront, predictable, meaningful savings. And for our clients, since we're able to continue to negotiate through redefining the supply chain, with minimal to no plan design changes, we can deliver cost neutrality to our clients. This provides them with the high level of transparency, better member satisfaction and experience and delivering on that cost neutrality component. That's what makes our model unique and why we'll be successful for the long term. And in fact, Milliman just released yesterday an independent study that confirms this component around the cost neutrality components and the benefits that, that provides long term.

Now, we've covered quite a bit of information already today. But what I want to be able to convey is how are components from an earnings perspective are also going to change. So let's go back to that client example that we looked at earlier, the large national employer. Today, our earnings are composed of about 54% in a simple administrative fee and about 46% of our earnings from that client are from small components that we retain from a supply chain perspective. Tomorrow, within the Signature model, 100% of our fee earnings is going to be

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from a flat administrative fee within the additional opportunity to sell in the product and solution suite that we have around new disease-specific solutions and some opportunities around shared savings.

But what's important is in the middle. So our earnings today on this client, they're a little bit higher than what our average target earnings are about 4% -- at 4.5%. But it's 4.5% today. It will be 4.5% tomorrow within the new Signature model. So transitioning to a more predictable and durable type of solution, but it provides us with that predictability through a new simple administrative fee.

We've covered a lot of ground already today. And what I've been able to talk through with you all is the benefits that our new model provides in reshaping this industry. But you're not going to just have to take my word for it today. We are lucky enough today to have two of our nation's industry experts around pharmacy consultant benefits, and they're going to join us up here on stage.

So please welcome AJ and Alysha to the stage.

All right. So Alysha Fluno is national pharmacy practice leader at Marsh. Alysha spends her days, consulting with employers all different sizes across the market and educating them about assessing different types of pharmacy benefits and this highly evolving market. And AJ Ally is Principal and National Pharmacy Consultant at Milliman, and AJ works across many different partners within the pharmacy landscape and employers, assessing the market this highly evolving market and how to ensure that employers can get the most out of their pharmacy benefits.

QUESTIONS AND ANSWERS

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

So with that, why don't we jump right in. Alysha, we'll start with you. What is the biggest pharmacy benefit challenge that you're seeing with your clients today and challenges that they're starting to have that they're trying to solve for today and what if anything has changed over the last few years?

Alysha Fluno - *Marsh - National Pharmacy Practice Leader*

Sure. Well, Adam, thank you very much for inviting us to be on stage. This is an honor and a privilege. But regarding employer clients, those are the clients that Marsh serves from a pharmacy perspective, there's three main things that are top of mind for employers today. The first is affordability.

They have seen over the last decade plus probably double-digit trends in pharmacy. The last couple of years, we have now added on some significant trend that's happening on the medical side as well. So the affordability component is becoming real for our employer clients and they're starting to question the sustainability of them being able to afford and continue to afford high-quality benefits for their members going forward. So affordability is in the forefront of employers' minds.

The next is transparency. You hit a little bit on this, but the definition of transparency changes throughout the industry, but I really think in today's world and kind of moving forward, transparency is basically table stakes at this point. Employers want to know what they're spending and where their money is going on the drugs and the benefits that they are spending, so they want that revenue transparency. In addition, they also want better access to their own data, reporting those types of things. And the third component that's top of mind really is just fiduciary responsibility. You all have seen it before.

Nobody wants to be that next headline in the newspaper from a fiduciary perspective. So employers are very keen on making sure that every selection that they make follows their fiduciary duties to their employees. So while they have all of these components that they are

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managing on a day in and day out basis, employers still need simplicity. Our pharmacy, our health care system is very complex. They're really looking for simplicity in the benefit and then predictability in the costs.

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

That's very insightful. Appreciate that. AJ, I talked to this group today about some of the additional clarity that we have around the Federal landscape today, our FTC settlements into others who had FTC settlements, the passage of the CAA and it going into effect in a couple of years in that effect. And then the emerging change now of more and more focus around fiduciary responsibilities. And how are employees thinking about the fiduciary component? And how is that influencing their decision-making as they assess these new aligned models?

AJ Ally - *Milliman - Principal and Pharmacy Management Consultant*

Thank you, Adam, and good morning, everyone. I think as you think about the pharmacy supply chain right now, it's very fragmented, and it has created a lot of point solutions, whether it's direct to consumer or direct to employer, you name it. And why is that? So transparency, I think, is a table stake today. And what is happening with all the shift in regs, there is a shift in responsibility to the Arista plan sponsors, the employers.

So today, for example, and some of you in this room can relate to it. If you try to use your pharmacy benefit, a large percent of the time, patients have to navigate to figure out where to get the lowest cost option and sometimes it's not in their pharmacy benefit.

They have to go to some other point solution like GoodRx, Cuban, et cetera. Tomorrow with some of the changes that are happening, the employer is going to have more of their share responsibility to take on this particular responsibility where I think going forward, if a PBM can offer an integrated benefit where the patient doesn't have to go navigate for drugs that are covered or uncovered, but it's available within the benefit regardless of whether it's covered or not and get the lowest cost option, that's going to be a differentiated model.

Second, I think, is the aligned incentives. I like that one slide you shared where you said for every $1 in margin you create $11 of value to the plan sponsor. We have never seen that before. I have never seen that in my career 25 years. I think that's going to be more something that plan sponsor going to demand and be able to prove and having aligned incentives for both managing trend, controlling spend is going to be a big differentiator going forward.

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

Thank you. Alysha, as we talk more about the new transparent models, our Signature model that we recently released. What's the general interest level from a client perspective in these new models?

Alysha Fluno - *Marsh - National Pharmacy Practice Leader*

I'm going to say clients are curious. They are interested in exploring new and different ways. There's been a lot of involvement over the last couple of years with some of the smaller, newer niche PBMs coming to market and bringing their PMPM models or trend guarantee models forward, and we've seen some movement in the market. But this is a pivotal time because now we have what we consider as being a large PBM kind of leaning into that type of a model.

You're going to be able to do things that some of these smaller different PBMs aren't able to do because of the assets within the enterprise that you can bring forward, you bring a lot of scale and market presence that we have not seen before. So I say employers are curious, I'm

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going to also expand it to say we are beyond that first mover phase. We're really in the fast followers now. And I think bringing market -- bringing your new Signature model to market is perfect timing to kind of catch some of that win that's been happening.

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

Right. And I think that level of curiosity is where employers, clients of all different labor unions, health plans, there are different levels of that change curve. And so as the CAA goes into effect in a couple of years, how that change happens and where we have to meet those clients is going to be important. So for us, even though Signature is our standard model, we're going to remain flexible in the market and have rebate models as well that are CAA compliant to because we'll have to meet them in different areas as we transition over those next few years.

Alysha Fluno - *Marsh - National Pharmacy Practice Leader*

Yeah. And as AJ said just a minute ago, employers like the fact that the incentives of the PBM and the employer are aligned, right, in a PMPM model. It's in your best interest to drive to lowest net cost and to get members on the right care to eliminate some of the waste that's happening in the system today. So employers are excited about that.

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

And AJ, to Alysha's point on different models now that are emerging, how would you compare and contrast the new models that are out in the market?

AJ Ally - *Milliman - Principal and Pharmacy Management Consultant*

That's a loaded question. So the reality, though, the PBM models, the various transparency models have been evolving in the last 10 years. But I think it's important to recognize what's new and what's not new. So models like pass-through pricing, cost plus, acquisition cost plus, point-of-sale rebates, those are not new. PMPM guarantees where the PBM put a guarantee on the cap of spend for a plan sponsor, that's also not new.

But I'll have to admit the rebate-free model where the manufacturer passes the value at the point of sale of the pharmacy counter, that is new. In fact, you referenced the Milliman study, I was part of that. It was an independent study that we did. We compared point-of-sale rebates to the rebate-free model because there's a confusion around the two in the market. And what we found was that the plan sponsor actually benefit from the time value of money. And all of you in this room are expert in time value of money over me, myself.

And what was interesting was that this time value of money, the average plan sponsored for let say for example, a high deductible health plan, the time value of money was about $1.25 per member per month. That's real dollars. And this assumed all that remain the same. Drug spend remain the same. Plan design remain the same, pricing will remain the same. This is true the time value of money just by floating that cash float upfront to create the value for both the plan sponsor and the member.

And it was assuming a 7.5% interest rate for those who are interested in how we came up with that and welcome to read the report. So the plan sponsor basically are benefiting from this cash flow to where -- because they're paying less, if you think about how benefits are paid today. They're paying less earlier in the financial cycle and they benefit both the member and the patient, which is the patient and the plan sponsor. So I think this was a big aha for me because we have never as consultants measured time value of money in anything when we evaluate pharmacy benefit.

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Alysha Fluno - *Marsh - National Pharmacy Practice Leader*

We talk about it.

AJ Ally - *Milliman - Principal and Pharmacy Management Consultant*

We talk about it, but we never measured it. So -- but yes, I think the market is moving where it will be interesting to see how these various transparency models, including the new one that Evernorth is launching, how it will impact patients and plan sponsor going forward? And how will change the way benefits are going to be evaluated by consultants and decisions are going to be made in terms of how business are placed because there will have to be a lot of changes in that whole process.

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

Right. And in your study, although there is cost neutrality, then you pick up the time value money piece, which I think you quantified too, which is meaningful for employers. Alysha.

Alysha Fluno - *Marsh - National Pharmacy Practice Leader*

Do you mind if I add to that a little bit, though, I think there's more than just the rebate-free that is unique in the model that you are bringing forward to the market, so as I said, we've seen PMPMs before, but for some of these niche PBMs that are in the market. What's different is the acquisition cost basis that you're bringing forward at the three different dispensing channels, if you will, right, mail order and specialty two assets that your enterprise owns.

That is something that other PBMs in the market outside of really the big three can't really bring to market because they don't own those same assets. So you're going to have an advantage, I think, over some of those opportunities and other PBMs in the market, because you can bring that scale in a different way. I also think it's unique the way that you're recontracting with retail pharmacies as well to provide better reimbursement for when members are at the pharmacy counter and picking up their medications, I think that, that is a differentiator as well in the marketplace.

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

Great. And then we're transitioning to from rebate -- from rebate economics into transparent administrative fees? And how are employers really should reassessing what that will mean in terms of comparing and contrasting the different payment models?

Alysha Fluno - *Marsh - National Pharmacy Practice Leader*

I think we're all actually adjusting to this, not just the employers. So I think it's fair to say that the economics for the business are changing. They're fundamentally changing from multiple different revenue streams, many of them hidden in the PBM industry, where we haven't seen those revenue streams before. The revenue is changing for that to a more transparent upfront no undisclosed revenue model. In that type of a scenario, we need to be open to the fact that administrative fees are the only area where a PBM is actually making revenue.

So those administrative fees are going to feel very different. You just heard Matt in his presentation earlier, talking about the clean sterile rooms and they're adding a fifth one and all of that and the cost that goes into just even being able to maintain and deliver medications to patients. There's a cost to that business, and you guys have to run that business.

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And now instead of that being hidden behind claims and being afforded through different spread pricing models that is now being pulled front in an admin fee which will be fully disclosed. So we need to be comfortable with the fact that these admin fees are going to be much higher than what we have seen in the market. But as we're doing our work as consultants are doing their work and kind of looking at total cost to administer a benefit, those admin fees will be neutralized by the offset of the good things that you're doing on a drug cost perspective and the ability to bring rebates forward and provide more affordability that way. So I'm excited for some of this to come forward. But yes, it is a shift in mentality on the admin fees.

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

Thank you. All right. Final question, crystal ball time. Five years from now, as we look at the different models that are out there, what are some characteristics that you think the winning pharmacy benefit models will have when we get out to 2031. AJ, will start with you.

AJ Ally - *Milliman - Principal and Pharmacy Management Consultant*

Okay. If I had to pick three characteristics. The first one would be around operational efficiency. So scale and size would matter, both in terms of delivering value as well as the administrative fee that comes with that. So operational efficiency and then, of course, the application of AI to reduce the cost to administer the benefit, very important. The second one, I think, is the most important one, is the ability to manage spend and trend across the pharmacy and medical benefit, especially for high-cost specialty drugs.

That is going to be a key differentiator because you saw -- you said it on your slide today, pharmacy spend is around 30% of the health care dollar across pharmacy and medical benefit is going to go to north of 40% within 10 years. So the ability to manage drug spend, high-cost drug spend across both pharmacy and medical is going to be super important. So trend management and clinical management are going to be critical characteristic.

And the last one, I would say, is the ability for the PBM to create value. And what does that mean? So depending upon who the plan sponsor is, whether it's a health plan or an employer, value can mean financial value. It could mean member experience value or clinical value, respectively. So I think the PBM who can create value based on the stakeholder they're serving depends on who that client is, is going to be critical for success.

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

Alysha?

Alysha Fluno - *Marsh - National Pharmacy Practice Leader*

And I would say I agree with that wholeheartedly. AJ. And I would just add kind of what's old is new again, right? So 10 years ago, we were all worried about the cost and trends that hepatitis C medications we're bringing into the market and how could we sustain those costs? We got over it. Today, I can't believe we have had a pharmacy conversation and haven't said this yet, but right today, employers are really struggling with the cost around GLP-1 medications and what that is doing to plan spend as well. We're going to get through that as well.

When I look forward five years from now, what's in the pipeline, what's coming, it's these multimillion dollar gene and cellular therapy drugs that right now, we kind of talk about them as a lightning strike and don't worry stop loss will take care of it. It's not going to be that way in five years. These are going to be chronic maintenance medications that patients might be on longer term or expensive, even more expensive, right, multimillion dollar therapies that hopefully are curative for patients. So we need to lean into, as AJ said, managing across the benefits,

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pharmacy and medical, but really starting to look forward to how do we do benefits differently going forward with an eye on those that are really high cost.

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

I want to thank both of you again for being here today and sharing your insights. I know this group, I'm sure has found this. So really, really helpful as we embark on an exciting time in the pharmacy benefit space. So thank you.

Alysha Fluno - *Marsh - National Pharmacy Practice Leader*

Yes.

AJ Ally - *Milliman - Principal and Pharmacy Management Consultant*

Thank you for inviting us. Thank you. Appreciate it.

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

All right. So in closing today, around our Pharmacy Benefit Services business, we at Express Scripts continue to be an essential partner in managing the growth of drug spend for our clients in this highly evolving market. This is an area where though Evernorth, we continue to excel and lean in with our clients. Second, we are leading the market from an innovation perspective. You just heard that from two of our leading experts in the country as well.

And through our Signature Pharmacy Benefit Services, we will continue to set new industry standards around transparency, accessibility and customer affordability. What that will deliver is durable and sustainable earnings in a predictable way for the long term. And it's based off of those statements that we can make three commitments to you here today.

One, we will deliver up to 4% earnings growth year-over-year through 2030. That earnings growth will ramp over time. We're in a highly dynamic market today as the rebate market is transitioning. And as we ramp through 2030, up to that 4% from an earnings perspective. Second, we will continue to have high client retention of 95% or higher while delivering on strong profitable new sales growth. And three, by the end of 2028, we will have enrolled at least 50% of our members into Signature models. I want to thank you for your time today.

Operator

We're going to pause for a short break. Our next session will begin in 15 minutes.

(break)

PRESENTATION

Katya Andresen - *The Cigna Group - Executive Vice President and Chief Data, Digital, and AI Officer*

Thank you, and welcome back. I'm Katya Andresen, and I'm the Chief Data Digital and AI Officer at The Cigna Group. I've spent my career working at the intersection of technology and experience in health care but also in other industries, including consumer banking. And one

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thing I have learned is that powerful technology eventually ends up in the hands of everyone. So the real question is not what are we doing with technology? It's how are we leveraging technology and now including AI in ways that create measurable value. So what you're going to hear from me today is an outcome story more than an AI story.

Throughout the morning, you've heard how we're making health care more affordable and personalized especially for those with complex needs. My role today is to explain how data and AI support those outcomes. And we'll cover three things today. First, how we're already creating measurable value now across our businesses and for our customers. Second, I'll talk about how our health intelligence engine accelerates that value in a way that compounds.

And third, I'll talk about where we're focused because we have durable advantage and where we partner to move faster or more efficiently. So let's start with our approach to creating value now. We don't start with a question of what to do with AI. We always start with a question, what meaningful problem in our businesses or in health care at large, can be solved in ways it couldn't be solved before because of advances in AI. And we reimagine whole domains of our work through that perspective.

We measure impact and we only scale what works. And that disciplined approach has yielded significant value for both efficiency and experience. All the while every step of the way we are reusing capabilities and we're amassing a body of intelligence that's growing larger. And that means each subsequent solution is cheaper, faster, more precise and more effective. I want to show you some examples of that.

In Cigna Healthcare, we're using AI to answer customer questions quickly in a personalized way in digital channels. This means people don't have to pick up the phone and call us. That's resulted in a 20% decrease in phone calls per customer over the last couple of years.

In MDLIVE, which is Evernorth virtual care provider. We're using AI for clinical documentation. That's taken the time that clinicians have to spend on not taking down by up to 90%. And in Pharmacy Benefit Services, we're using AI in our specialty benefit review process, taking that down from 15 minutes to 21 seconds, which is 43x faster. Now we're turning to the great opportunity Brian talked about in complex care.

And I want to make that concrete. So let's think about someone with complex needs. They have multiple conditions, multiple therapies. They have multiple providers and benefits, and that creates a very scattered set of snapshots, a prescription over here, a clinical event over there, a claim somewhere else.

So how do we take that scattered picture and turn it into a picture that allows us to create meaningful outcomes for those people. Our answer is our health intelligence engine. And I want to describe how that works. There are sort of three groups of capabilities that are part of the engine. The first thing is what we know.

So think of this as capabilities around our integrated data across medical, pharmacy, specialty behavioral health. Then there's what we can predict, that is our proprietary models as well as our ability to identify the right personalized recommendation, leveraging our clinical expertise which you'll be hearing more about from Dr. Flaster. And third, there's leveraging what we know and what we predict to find out the right best thing for what we should do and then taking that action.

So what we know, what we predict, what we do, one more point I want to make here, which is what we learn. Because this is happening across millions and millions of customer touch points. And that means that every time we learn something, we know more and that makes our next solution more effective and powerful. We have been building these capabilities for years. At The Cigna Group across the enterprise, we have over 700 patents.

And my team filed a machine learning patent back in 2014, long before we were all talking about AI all the time. So don't think of this as a new platform. It's not. What is new is what recent advances in AI, including Agentic capabilities, due for this model. It's supercharges it.

We know far more. We can predict with greater precision at greater scale, and we can do more. And we can learn faster than ever before. So here's what that means for our results, especially for those with complex needs.

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So first example. In Cigna Healthcare, we are able to significantly reduce inpatient and ER department visits that are avoidable. In Specialty Pharmacy, as you heard from Matt earlier, time to therapy is doubled, twice as fast. For a complex patient getting on care faster means everything. In Cigna Healthcare, our virtual agents are solving over 70% of customer needs in digital channels and very exciting.

Our care managers now can act with the precision and personalization that helps engaged customers have $2,000 a year less in medical costs. So all of these are very powerful on their own as this engine becomes supercharged. What's equally powerful, I want to emphasize again, is the learning loop that this creates.

And value is compounding in three ways for us. First, in business performance; second, value is compounding in our delivery economics with every new solution. And third, growing commercial value, both for our existing offerings and the new offerings that are now possible. This is the most important slide. You'll see from me, so I want to make another really important point about it.

And that's that the more complex, the health care journey, the more valuable this thesis. Others may have AI, they don't have our context, and they don't have years of learning what works for whom under what circumstances. And moreover, having done all of that with built-in guardrails around models and agents and human accountability.

We also know in the space, it's important to move fast. So we don't believe in building every capability ourselves. We invest where the advantages must be ours. So think of that as my list, what we know, what we predict, what we do, what we learn. We partner where technology companies that have specialized expertise can help us move much faster. And a great example of that is our partnership with Sierra AI.

Sierra is a leader in conversational AI and agentic servicing. And they have helped us move very swiftly in our voice channels, such that we can answer any customer inquiry in a natural conversation in the most personalized way based on our health intelligence that has ever been possible before. And today, we've invited the Co-Founder and CEO of Sierra to be with us today. Bret Taylor. A word about Bret.

He's been behind some of the biggest technology innovations I'm sure you're familiar with, including creating Google Maps. He was CTO of Facebook, Co-CEO of Salesforce; and now Chairman of the Board of OpenAI. I'm delighted to welcome Bret to the stage.

Bret, thank you so much for being with us today.

Bret Taylor - *Sierra Technologies Inc - Co-Founder and Chief Executive Officer*

Thank you for having me, and thank you for our partnership.

Katya Andresen - *The Cigna Group - Executive Vice President and Chief Data, Digital, and AI Officer*

Yes. I'm going to jump right in about our partnership. So I wondered if we could start out talking a little bit about you work across a lot of industries. Health care is very special. What are you learning about health care? And what have you learned from the partnership that we have?

Bret Taylor - *Sierra Technologies Inc - Co-Founder and Chief Executive Officer*

Well, I think health care is probably, I think, has the highest potential for a positive impact with this current generation of AI. I'm -- you've probably forgotten more about health care than I ever know. But we spend about 18% of our GDP on health care in this country. It's one of the few industries that has gotten less productive over the past decade. And so whether if you look at the shortage of pharmacists, to registered nurses, to doctors, to the administrative costs, I think that there are so many applications for this technology that can go directly to the benefit of members. And I think that's what I've always drawn me to Cigna you're focused on member first.

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I think the thing that's been most exciting in our partnership has been the application of voice. So if you think about what it means to create digital experiences in the dark ages of three years ago, that meant a website or a mobile app with voice AI, we've essentially digitized the last remaining analog channel, which is the telephone. And the telephone is incredibly important in the health care industry, whether it's outbound callings partners or inbound calling from members. It's remarkable how well this technology can work.

You've mentioned some of our partnership, the Accredo AI agent is autonomously handling over 40% of calls. These are basically members is better, faster and cheaper. Right now, it's essentially the benefits are to everybody, the member to you, to the bottom line.

So I think sort of thinking it was Maslow's hierarchy of needs, first find shelter, like let's take the billions of phone calls in the health care industry that could be automated and apply it there. And then I know a lot of our conversation will go to sort of the longer horizon of this technology where we can really help to drive outcomes for Cigna members, particularly for these complex cases, which I think are people who are most vulnerable and most need the can most benefit from this technology.

Katya Andresen - *The Cigna Group - Executive Vice President and Chief Data, Digital, and AI Officer*

That's great. I share your enthusiasm for voice, obviously. I think it's important incredibly important in health care. It is still early innings for voice in the AI space. So I think it would be really interesting to hear your perspective on where it's going and then what that means for advantages for our partner going -- our partnership in the future.

Bret Taylor - *Sierra Technologies Inc - Co-Founder and Chief Executive Officer*

Well, I think it was really captured by the slide you just presented actually, but I'll sort of take a step back. So as AI models become more capable, we've gone from sort of reasoning about sort of a single decision to thinking about how do you actually orchestrate a longer horizon engagement. And if you think about a Cigna number with complex care needs, it's a perfect example of this. And it goes from how you digitize a phone call to can you actually orchestrate a member journey to drive towards an outcome, I think things like prescription drug adherence or almost creating a digital health advocate for each member.

If you think about the cost of sort of the high end of the health care market, where you can actually have concierge, doctors and health advocates with AI, we can digitize that. And we can provide that exclusive service in a much broader way and actually drive outcomes that just weren't possible before. And in particular, if you think about some of the complex care scenarios you're focused on, it's something that is only possible with AI to do in a cost-effective way.

And so I think about outbound engagements, AI not just reaching out to you, but deciding to reach out to where everyone's journey is different. I think about automating sort of some of the relationships with partners, if you think about the complex supply chain of health care.

And what I loved about the way you presented it, we have a saying at Sierra, which is rent the intelligence, own the context. And I think over time, AI will be broadly available in the health care industry, you can't really differentiate on intelligence by itself. But what you can is have more context about your members and use that to make more intelligent decisions about how to engage with them and drive those outcomes.

And I think both because of your portfolio of companies and services and how far ahead you are on AI, I think you're going to start compounding some of that context advantage over time. And for selfishly as an AI person, I think we'll be able to see the impact of the technology faster with you than almost anyone else, which is such a privilege.

Katya Andresen - *The Cigna Group - Executive Vice President and Chief Data, Digital, and AI Officer*

For us, too. And I'd like to follow up on something you just said. So I agree, we're in a stage now where we can do inbound. We're doing outbound as well in certain parts of our business. But what really matters is that connected journey.

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And we believe that's the place we really want to be ahead of the game, as you said. And can you talk a little bit about Sierra's plans around Agentic harnesses or the ability to connect these journeys no matter what modality someone is in or wherever they are in their journey?

Bret Taylor - *Sierra Technologies Inc - Co-Founder and Chief Executive Officer*

Yes. The spirit of sort of renting intelligence in the context is how important the context is. To some degree, that universal profile of me and who I am is the most valuable thing. And no matter how advanced GPT-28 is, it won't know what you know about me as a member of Cigna. And that context about me is actually the most important thing to drive value from this what will become super intelligence may already be super intelligence in the future.

And what's interesting about essentially making AI agents, our digital front door for the connected member journey is that every interaction I have with AI adds to that context. Because if you think about it, how many conversations over the phone like what do you log in the computer system?

Well, now if you're having a conversation with an agent, whether it's over the phone or a digital voice experience or a digital TAD experience, all of those memories are actually a part of my unified profile. And essentially, the more you lean into AI as your digital front door, the deeper your context moat becomes.

And -- but more importantly, for Cigna member, the more intelligence you'll have about how to drive me towards that outcome to help me in particular I'm way out of my depth here, but for some of the sort of complex therapies, just even the active taking them correctly is going to really drive outcomes and to actually have as much context as possible to drive those outcomes, I think, is an incredible opportunity.

And so I've obviously sort of biased in this assessment, but I think the more companies lean into AI as their digital front door, the more their AI will actually perform better. And I think it's also why I think you all leaning in to move more quickly than many of your peers are so important because you're getting those lessons faster than anyone else.

Katya Andresen - *The Cigna Group - Executive Vice President and Chief Data, Digital, and AI Officer*

Yes. Thank you for really underlying a compounding value that we're seeing here because this engine and the interactions with the agents create more and more data, and that makes the whole thing more and more valuable and great for outcomes. Okay, speed round, quick question for you. skeptical investor might say everyone has access to AI, know really where is the sustainable advantage. And you've talked about context, but can you put a finer point on that?

Bret Taylor - *Sierra Technologies Inc - Co-Founder and Chief Executive Officer*

Yes. So if you think about -- I'll just give you an anecdote. I just added my 16-year-old daughter to our car insurance, which cost me an arm and a leg. In that conversation, I mentioned jokingly that I have a 15-year-old son, and I'll be calling them next year, which is true. And because I'm in my line of work, I wondered, I bet that's not being recorded anywhere.

And I just gave them an opportunity to reengage me and upsell me, and I give them the date to reach out to me. I think that's an exact example of the type of context you get from, I'll say, the more unstructured conversations that come through these digital interactions. And there's millions of these, and they're not inconsequential. I think talking about the data in the abstract doesn't actually give it the value that it is.

And if you think about someone talking about the trouble they're having to go see a specialty provider, maybe trouble with the medication maybe they alluded to something that's actually an important side effect of medication, but they didn't know it was important. All of those things are available when you have a digital front door that's an agent.

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And I think the important thing that you will have by leaning into this faster than others is you're starting to develop that advantage sooner. And because it compounds the earlier you start to develop that -- those memories in that context, the more your advantage will compound relative to your peers. So I really think this is especially in health care. I think this is incredibly important, also true of a property and casualty insurance company as well.

Katya Andresen - *The Cigna Group - Executive Vice President and Chief Data, Digital, and AI Officer*

Well said. Thank you, Bret, so much. And as you said at the outset, I appreciate you being here, but above all our partnership.

Bret Taylor - *Sierra Technologies Inc - Co-Founder and Chief Executive Officer*

Thank you very much. I appreciate it.

Katya Andresen - *The Cigna Group - Executive Vice President and Chief Data, Digital, and AI Officer*

I'm going to wrap here with three takeaways, reinforcing what you heard from me today. So first, we're creating meaningful value with AI now. Second, our health intelligence engine is allowing us to compound that value. And third, we are building where we differentiate, and we're partnering to accelerate, as you just heard from Bret Taylor, always with guardrails and safety and human accountability in mind. I started my talk today by saying that AI is just technology.

And I will leave you at that point because that's what really matters. It's that context is how we achieve the vision you heard today. And for us, that's health intelligence, which makes complex care, more personalized, more effective and more affordable. Thank you.

Operator

Please welcome Dr. Amy Flaster.

Amy Flaster - *The Cigna Group - Executive Vice President and Chief Medical Officer*

Thank you, Katya. Thanks, everyone, for being with us today. My name is Dr. Amy Flaster and I'm the Chief Medical Officer of The Cigna Group. In addition to serving as the CMO, however, I'm also a practicing primary care physician.

Every Friday morning, I go to my clinical office in Boston, where I take care of 350 adult patients. And every clinic session is different. I may be taking care of healthy patients seeking preventive care. I may be supporting people with chronic diseases or often, I'm supporting patients who have a new complex or specialty diagnosis as they begin to navigate their journey. It is this experience as a practicing doctor that gives me a first-hand view into how our health care system today is working for patients and providers, where it's working well, and where there continue to be gaps and fragmentation.

As you've heard throughout the morning from my colleagues, we are at an inflection point, and the health care marketplace is demanding more, more personalization, more affordability and a more seamless experience. And this is why I'm so excited to share with you all today how our clinical capabilities uniquely position us to meet that demand and create differentiated value.

To that end, there are three areas of clinical advantage that I'm going to focus on today. The first is the breadth and depth of our clinical enterprise with assets and capabilities that give us industry-leading scale and expertise to support complex patients. The second is the power of integration of those assets with our data. That unlocks precision insights, which allows us to provide better clinical outcomes and affordability. And third, I'm going to talk about how AI is creating a paradigm shift in clinical, allowing us to identify needs earlier, extend personalized support and improve outcomes for our patients at scale.

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Let me take a step back and begin by grounding you in where we stand today. We have filled one of the broadest and deepest clinical ecosystems in health care, spanning our assets and capabilities that are in medical, in pharmacy, in specialty, in behavioral health and in our case management programs. And taken together, these capabilities allow us to support over 180 million customer interactions every year.

We are fueled by the work and support and care provided by 5,500 clinicians. These are doctors, nurses, pharmacists and social workers that support our patients every day including, as Matt mentioned, 850 field-based nurses that provide boots on ground support. We have 24/7 availability of nurses and pharmacists to our members, and we conducted over 2 million visits a year through MDLIVE. It is this scale that has enabled us to develop differentiated expertise in complex patients.

Let me share three examples to bring this to life. Our transplant case management program in Cigna Healthcare supports members that are going to receive a solid organ transplant. So it's one of the most complex clinical journeys a person can undergo, and for the 6,000 members that are supported by this program each year and have our services wrapped around them, we see a reduction in the cost of care for each case of $87,000. A second example, Matt Perlberg earlier spoke to you about our TRCs, our therapeutic resource centers. You can think of these as specialty hubs of expertise, each focused on a different disease area.

And to highlight one our rheumatoid arthritis and inflammatory TRC when supporting patients and wrapping nursing and pharmacy supports around them has been shown to reduce inpatient admissions by 22%, and overall medical costs by 8% by virtue of being supported with the TRC compared to nonspecialty care.

A third one to highlight. Earlier, Adam talked about the depth of our clinical services in our PBS business. And our SafeguardRx capability, which combines specialized clinical programs, with value-based purchasing has been shown to increase medication adherence by 14.5% for people with chronic diseases. Each of the programs and capabilities that I've just described is impactful in its own right. But where there is integration across our enterprise is where we can derive the most clinical value for patients.

And oncology is one compelling example of how this comes together. By leveraging our existing early cancer identification and engagement capabilities, we are able to engage people with breast, colorectal and lung cancer weeks and months earlier than we otherwise would be able to do. And this earlier engagement is incredibly valuable, both clinically and financially. It gives us the opportunity to coordinate, support and case manage these patients before fragmentation, avoidable utilization and costs surface. And the results you can see underscore this impact.

When oncology patients are fully supported by our integrated model across our enterprise, we see a reduction of $28,000 per member per year in their cost of care. So to put a finer point on this, our earlier insights drive earlier action, and that earlier action drives better outcomes, both clinical and in terms of affordability.

So now I'm going to shift and talk a little bit about what comes next in our clinical model. And I'll say as CMO, as a practicing doc and as a patient like all of you, this is where it starts to get really exciting. I've just walked you through what we've built. We have over a decade of building one of the most deep and broad clinical enterprises in the industry. But today, AI creates a paradigm-shifting opportunity in our clinical model.

To take a step back for context around where clinical AI stands today, you can see a spectrum on the slide. On the left side of the spectrum, you can think of using clinical AI for administrative and back-office functions for more efficiency. This has become table stakes. On the right side of the spectrum are organizations using AI to support autonomous care. This is things like triage, diagnosis and even prescribing.

And this is still untested and very much early stage. Where we believe the greatest area of value capture exists is right in the middle of this spectrum, where we believe clinical AI can revolutionize patient support and navigation. And so this is where we are leaning in. Powered by our health intelligence engine that Katya just talked to you about, we are investing in the next generation of our clinical model, leveraging clinical AI to personalize care guidance and support for the most complex patients in service of lead to one.

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To this end, last week, we were really excited to announce a collaboration between The Cigna Group and OpenAI aimed at supercharging our work in clinical AI. We're combining The Cigna Group's strengths in caring for complex patients, our clinical programs and assets and our proprietary data with OpenAI's frontier AI capabilities and their consumer focus to enhance the support that we can offer to patients with complex conditions, and we've decided to start with oncology.

Our two initial use cases are already underway, both of which are or will be embedded in our existing Accredo and Cigna Healthcare offerings. In Accredo, a group of oncology nurses today are already using the Accredo clinical Assistant tool, leveraging AI-enabled summaries of a patient's care journey before engaging the patient to improve personalization, quality of follow-up, efficiency and experience.

In Cigna Healthcare, Health Sense is the name of our next-generation personalized health experience. This tool allows us to support patients throughout their care journey and in between doctors' visits. It puts clinical expertise at the center and leverages data to identify needs earlier and connect patients to the right support.

Before I show you the tool, a hardline I want to emphasize. We use AI to augment but never to replace clinical expertise. Our clinical judgment remains with our clinicians and is supported by our clinical AI governance, our quality and safety protocols and our evidence-based medicine tools.

But with that said, I'm now pleased to show you how Health Sense looks and feels and how it is translating our clinical expertise, our integrated data and our AI capabilities into a new and novel experience for patients dealing with the most complex conditions. We will center this demo around Maya Jones. Maya is a Cigna Healthcare patient. She's a 59-year-old mother of two. She works full time.

She's a caregiver for her aging parent. And Maya recently received a life-changing diagnosis of colon cancer, and she's starting her first chemo cycle of capecitabine and oxaliplatin, short form for that as CAPOX. Maya provided consent to use the Health Sense tool to help her through her journey. And this tool, Health Sense is able to use longitudinal insights and data about the patient, including her age, her gender and information about her kidney function to identify that she has a high likelihood of post-treatment side effects. And so once Maya starts her chemo, Health Sense proactively reaches out and checks in on her before she identifies any needs.

Let's take a look. As Maya engages with Health Sense, either through ambient listening or directly through the chat function, the tool is accurately recording her concerns and symptoms, providing support and using the information to build an evolving view of Maya's health journey, suggesting resources and education specific to her. Partway through her treatment journey, Maya is concerned about a symptom that she's experiencing.

Health Sense identifies the need for additional support and offers Maya the option to connect with the Cigna nurse at no cost and in real time and provides the nurse with relevant context for Maya's care journey. Throughout Maya's chemo cycle, Health Sense is checking in with her regularly, providing personalized care and guidance to help Maya through this journey. And four months later, as treatment is wrapping up, Health Sense continues to serve as Maya's partner, guiding her each step of the way.

As you can see, clinical AI represents a significant paradigm shift that we can leverage to improve outcomes, enhance experience and lower cost of care. And we believe that we, at The Cigna Group are uniquely positioned to realize that value at scale.

So as I wrap up, I'd like to leave you with three takeaways. The first is that our clinical enterprise is built for patients with complex conditions, and we have the breadth and depth of capabilities to support them through their care journeys end-to-end. The second is that our connected capabilities, data and insights and the integration between them allow us to drive better outcomes, greater value and a lower cost of care. And third, as you saw, we are leveraging AI across our businesses to achieve earlier clinical interventions and provide more personalized support at scale. We are really excited about the next chapter of clinical at Cigna. Thank you.

Operator

Please welcome Ann Dennison.

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

Good morning. Thank you all for being here with us today. I'm Ann Dennison, Chief Financial Officer of The Cigna Group, and I'm excited to be here this morning to talk to you about our deliberately shaped portfolio of three scaled businesses that are going to drive value for consumers, clients, patients and shareholders.

So over the next roughly 20 minutes or so, I'm going to cover four key themes: One, how we're building on a proven track record of disciplined execution and differentiated growth; two, how the pillars that you heard about today, our core growth opportunities and our distinct capabilities are going to drive sustainable long-term growth. Three, how we're launching a $3 billion multiyear productivity and efficiency initiative, a savings initiative to reduce costs and also to be able to invest back in the business. And finally, how our strong cash flow and our disciplined approach to capital deployment is going to support profitable returns -- profitable growth and returns.

So with that, this morning, we reaffirmed our full year 2026 adjusted EPS guidance of at least $30.45, along with some other metrics you can see on the right-hand side of the slide. Our excitement is built on a strong foundation. So with that -- with the $30.45 for 2026, we will have achieved -- at least $30.45, we will have achieved a 14% CAGR over the last decade. And within the last decade, we will have grown in every single year of the decade. That is truly unique and differentiated in our sector and peer set.

We recognize that recent years have been dynamic and have been challenging, and we have work to do to get back into our long-term growth algorithm. But I want to point out what you can see on the right-hand side of this slide, which is from '21 to '26, we grew at the highest rate in our peer set with the lowest amount of volatility. This looks similar if you do it over a 10-year period.

And I think what this demonstrates is the resilience of our portfolio, our ability to adapt and how we are creating sustainable long-term value. So this performance has translated into very strong cash flow. From '21 to '25, so that five-year period, we generated $56 billion of cash flow from operations and from divestitures. We have consistently taken a disciplined approach to allocating that capital, balancing investments back in the business with returns to shareholders. And so over this period, over that same five-year period, we returned $36 billion or 64%, excuse me, of that cash to shareholders in the form of dividends and share repurchases.

While at the same time, we continue to invest in the business in order to drive organic growth and enhance our strategic capabilities. As you heard from Brian Evanko this morning, we have deliberately shaped our portfolio of investments and businesses over the last near decade into three scaled growth businesses. So Cigna Healthcare represents 40% of the overall enterprise earnings, while Evernorth is 60%, but within Evernorth, Specialty and Care is now 37% of overall enterprise earnings versus two years ago, it was at 30%, and Pharmacy Benefit Services is 23% of overall enterprise earnings. Each business has distinct growth drivers and capabilities that create -- and we've created a balanced portfolio that is going to drive sustainable long-term growth.

So let's talk about why we believe that's true. Our portfolio of businesses is concentrated where -- our portfolio of businesses is positioned where health care costs are concentrating. You heard this throughout the morning. So you heard from Adam Kautzner how drug spend is becoming a bigger and bigger portion of health care spending. We are a market leader with scale, purchasing power and the ability to drive unit costs lower and deliver for our clients in that business.

You heard from Matt Perlberg on Specialty and Care, how specialty medications are becoming a bigger and bigger portion of overall drug spending. We are a market leader in Specialty and Care with differentiated end-to-end capabilities that drive outcomes for patients, as you heard today, and better outcomes for our clients.

And you heard from Bryan Holgerson about how costs are concentrating in a relatively small number of patients with the most complex conditions and how we, as a business, are designed to serve those patients through our integrated model and drive better outcomes and affordability for our clients. So altogether, the combination of our businesses, we're improving affordability, we're driving better outcomes. And importantly, we are driving sustainable long-term growth. This is why we are confident in our ability to deliver long-term annual adjusted EPS growth in the 10% to 14% range through 2040. Our pillars of growth, our distinct capabilities and our disciplined execution.

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Now I'm going to walk you through how we're going to deliver on that commitment. So I'll start with Evernorth. Evernorth again represents 60% of enterprise earnings. An increasing portion of this business is shifting towards Specialty and Care, which is our highest growth opportunity business. As a result, we are confident in reaffirming Evernorth's long-term earnings growth algorithm of 5% to 8% through 2030.

Now let me break that down into the two businesses and talk a little bit about each of those. So first, I'll start with Specialty and Care. So again, 37% of overall enterprise earnings, higher growth business, large TAM, secular tailwinds, growing at high single digits, the TAM, you heard Matt talk about that earlier, differentiated end-to-end capabilities. All of those things make us confident in reaffirming our 8% to 12% growth algorithm on Specialty and Care. If I break that down, 7% to 9% of that is what we think about as core growth, and you can think of that as aligned to the secular tailwinds. The other 1% to 3% of that is our differentiated capabilities, our opportunities to increase share and to take more of the TAM, particularly in the medical benefit space.

So now let's turn to Pharmacy Benefit Services. Pharmacy Benefit Services represents 23% of overall enterprise earnings. We are a market leader. We are driving innovation. We are driving affordability. We are in -- the business and the industry is in transition given the evolving regulatory landscape. We're on the front foot of that innovating with our new Signature product. We do have some near-term headwinds, but we are confident in the outlook that we have of flat to 4% through 2030. We're confident that we're creating durable earnings, a durable earnings profile that will be fee-based and predictable.

Our updated margin for the Evernorth segment is 3% to 3.5%. And this -- I just want to point out that this update reflects what we -- the dynamics that we've been talking about around our large client -- the three large clients and our renewals and extensions. That's what's reflected in the update as it relates to Evernorth margins. So to recap, we are confident in driving 5% to 8% long-term growth across the Evernorth segment and I'll move on to Cigna Healthcare.

So shifting to Cigna Healthcare, 40% of our total enterprise earnings. We see substantial growth opportunities. You heard Bryan Holgerson talk through the dynamics there, the opportunities that are afforded to us through our integrated offerings. We see opportunities to grow in Select, but also to expand our positioning in middle markets and national. Our integrated data, our personalized care capabilities, our risk management expertise, all reduce inefficiency across the broader health care industry and help meet our client needs. So with that, we expect average annual compounded earnings growth for Cigna Healthcare to be 6% to 9% through 2030.

If I break that down, 4% to 6% of that is core growth. And again, you could think about that as growing in line with the market. And then the other 2% to 3% of that is growth from our distinct capabilities. So our opportunities to increase our share in the Select segment, our opportunities to continue to recapture margin as it relates to stop loss and then our international business. Our international business represents just over 10% of the overall Cigna Healthcare earnings number, and that business is growing in the high single digits.

For Cigna Healthcare, we expect long-term margins to be in the 10.5% to 11.5% range. That is consistent with our prior target. Further bolstering our confidence in our ability to deliver on our growth outlook is our $3 billion multiyear modernization and productivity initiative.

So for the sake of -- if you read any news articles that came out this morning that said that this was a spending initiative, this is a savings initiative. So we intend to drive productivity and efficiency from '26 through 2030 of $3 billion. And so the three areas we're going to focus on within this program are: one, automating our workflows, finding opportunities to use AI or use technology or reengineer workflows. So that's one category.

The second category is around talent. So building a future-ready workforce for the most efficient and effective talent base. And then third is optimization of our supplier partner and vendor landscape. As Katya noted earlier, technology and AI will accelerate these efforts. It will help improve productivity, lower our cost to serve, create operating leverage and provide additional capacity for us to invest in growth opportunities.

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In a moment, I'm going to talk about how much growth we're expecting from capital deployment. But before I do that, I just want to spend a moment to talk about our capital deployment strategy and our philosophy. So I'll start with growth. We believe our best investment that we can make is in ourselves. We are committed to a sustainable dividend.

We're at about a 20% ratio and a 2% yield currently. We believe share repurchases are a highly attractive use of capital given our current valuation. And we have about $6 billion -- a little over $6 billion remaining under authorization today. We are strengthening our balance sheet, and we expect to be at our target of approximately 40% debt to cap by the end of this year, 2026.

And then lastly, M&A. Bolt-ons remain our focus, but our criteria for M&A has not changed. Any M&A that we look at has to be strategically aligned and financially attractive. So what is strategically aligned mean? To us, that is it has to expand our reach or enhance our capabilities. Financially attractive for us, that means it needs to deliver EPS accretion that is durable and visible to us and a strong return on invested capital. Importantly, our portfolio is strong and M&A is not necessary for us to achieve the commitments we're making here to today, but M&A can be an accelerant to our growth.

As we look forward, we expect continued strong cash flow generation and growth from capital deployment. We continue to expect 4 percentage points to 5 percentage points of average annual EPS growth from capital deployment. Over the 2026 to 2030 plan period, we expect to generate approximately $50 billion in cash flow from operations. And for context, that represents about 70% of our current market cap. As we think about allocating that capital, 20% to 25% of that will go to investing back in the business to drive future opportunities, future growth. 20% of that will go towards supporting our dividend. And then the remaining 55% to 60% gives us an enormous amount of strategic flexibility to think about share repurchases, debt repayment and M&A.

So if I pull it all together for you, we have a clear path to 10% to 14%. We expect durable operating earnings growth of 6% to 9% plus 4% to 5% from disciplined capital deployment. Our confidence is grounded in a portfolio that is aligned to attractive trends, differentiated capabilities and our relentless focus on operations and execution. With this commitment, we have a clear path to deliver on an adjusted EPS floor of $45 per share by 2030. This is a simple depiction.

This is everything at the low end of the growth ranges. And I want to stress $45 in 2030 is a floor, not our target and not our expectation. But there's two important things, I think, that this slide highlights. One is that we are not relying on any one particular growth engine in order to achieve our objectives. Secondly, that we can meet this objective, the low end of the range with our Pharmacy Benefit Services business staying flat through 2030. So this gives us confidence that we will deliver at least $45 by 2030.

So as I wrap up, I've got a few key messages and then three commitments that I would like to leave you with. One is on the takeaway side, we are building on a proven track record of disciplined execution and differentiated growth. Two, the opportunities that you've heard today from our business leaders and across the board set us up for driving sustainable long-term growth.

Three, we have launched a multiyear initiative to save $3 billion, some of which we'll invest back in the business, but some of it will take to the bottom line. And finally, our strong cash flow generation and our disciplined capital deployment will give us significant flexibility to return -- to strengthen our business and provide returns -- attractive returns to shareholders.

So those strengths support a clear set of commitments, three commitments that I'll leave you with. 10% to 14% adjusted EPS CAGR through 2030, $3 billion of modernization and productivity improvements and approximately $50 billion of cash flow from operations through 2030. So taken together, we are confident in our strategy, confident in our ability to execute and confident in the value that we can create for consumers, clients, patients and shareholders. Thank you.

Operator

We're going to pause for a short break. Our next session will begin in 15 minutes.

(break)

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Please welcome back Ralph Giacobbe.

QUESTIONS AND ANSWERS

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Welcome back, everyone. I'd actually like to invite our team back to the stage. So we've got a nice block of time here for -- to get to your questions. You already have had an opportunity to some degree during the breaks to ask some of those questions.

Just a couple of things before we start Q&A. Obviously, raise your hands if you have a question and wait for me to call on you. And also please wait for a mic. We do have mic runners throughout the room here. I'd ask yourself to limit yourself to one question so we can get to as many questions as possible today.

And obviously, we can come back around to the extent that we do have time. So with that, who would like the first question? Let's go to Ann.

Ann Hynes - *Mizuho Securities Asia Ltd - Analyst*

Ann Hynes with Mizuho. So obviously, AI is a big focus, and there's a fear over time that it could lead to job market losses and things like that. So given your health care segment is very levered to the commercial market, how do you view the diversity of your membership base as we all kind of go through this AI transition over the next decade?

Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

Good to see you. So as it relates to the overall composition of The Cigna Group, one of the important principles for us was to have strong focus on where we have a differentiated right to win, which is what led us to the three growth platforms we talked about this morning. our Specialty and Care business, our PBS business, both within Evernorth and then Cigna Healthcare, which is the balance of 40%. So those three growth platforms, importantly, we have a differentiated right to win in each of them. And you heard that through all of the presentations this morning.

So to your point, are there other addressable markets that we don't participate in today? Yes. Those have been deliberate focus choices for us. And you heard from Bryan, we continue to have tremendous growth runway within the Select segment within the US employer space. So we are not out of headroom in growing within our Cigna Healthcare business today.

Relative to AI potential and job disruption, which was underneath your question a bit, thus far, if you look year-to-date, the disenrollment within our Cigna Healthcare portfolio is lower in 2026 than it was in 2025. So despite some of the headline in media cycles around AI-driven job disruption, we're not seeing it, right? We are not seeing it at scale.

In fact, our membership is holding up to an even greater degree than it was in '25 on that basis. Over the longer run, obviously, we always are looking at the portfolio through the portfolio shaping that I made reference to, and we'll always evaluate the addressable markets we're in the businesses we're in. But today, we're very focused on those three growth platforms where we feel we have a long-term right to win.

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Let's go to A.J. One second, A.J. Let's get you a mic.

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AJ Rice - *UBS AG - Analyst*

So when you think about the 10% to 14% growth, I know there's a couple of specific things. They may not be big enough to move the needle, but your exit of the public exchange markets going into next year, the eviCore review. Should we think of that as pretty even the 10% to 14%? Or is there a step back next year because of some of those things? And also maybe the context on the $3 billion of initiatives that you're putting in place today?

Is there some upfront spending that you have to do? Or how will that be realized over time? And is that embedded in the 10% to 14%? Or should we think of that -- just give you more confidence in hitting those numbers? Or should we think of that as potentially creating upside?

Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

A.J. I'll start and then, Ann, if you want to pick up, there are multiparts to that question. So I'll do my best to get it all, A.J. So as you heard from the team, very confident in our ability to deliver 10% to 14% EPS growth through 2030 when you look at the multiple growth engines as well as the strong cash generation, which gives us multifaceted capital deployment to support that. Now importantly, underneath that, to your point, the Accelerate to One series of modernization and productivity initiatives that will generate $3 billion of cost savings for the enterprise by 2030.

That will be cumulative cost savings by 2030 as a result of all the things that Ann covered earlier, streamlining decision-making, making the best use of technology to drive our cost structure down. A portion of that will get reinvested into the business and a portion of that will support the long-term financial commitment of 10% to 14%. So that's how I would encourage you to think about the Accelerate to One program in the context of our algorithm.

As it relates to 2027 specifically, consistent with our prior commentary, we continue to expect at least 10% EPS growth in 2027. And that comes off our reaffirmed 2026 outlook. And anything else you'd like to add?

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

I think got it.

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Let's go to Jason.

Jason Cassorla - *Guggenheim Securities LLC - Equity Analyst*

Jason Cassorla from Guggenheim. Just wanted to ask quickly on the $50 billion cash flow bridge over the next five years. Can you give us some of the puts and takes in context of the Signature model rollout, if that has any downward pressure on cash flow generation or if there's any incremental uptick of that? Or how do we think about cash flow generation off the Signature model?

Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

Jason, I'll start and then Ann and Adam, if the two of you want to chime in on this question at all. So we have a long tradition of generating strong cash flow, as Ann demonstrated. And that gives us the ability to deploy capital in a multifaceted way. We'll always continue to reinvest in the business first and foremost. We'll maintain a 20% payout ratio approximately on our dividend.

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And then we have the ability to deploy the balance to either share repurchase or strategic M&A. So strong cash generation will continue. We expect $50 billion over the next five years from '26 to '30, which incorporates the Signature specific dynamics. Would you like to expand on that a bit, Ann?

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

Sure. So as Brian said, I think -- so we thought about Signature and the timing of the cash flows between manufacturers and our clients, and we talked a little bit about that earlier today. And all of that is reflected in those estimates. And so the $50 billion represents our best view of the five-year plan and how Signature and the adoption rate and what that's going to mean from a cash flow dynamics perspective.

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Let's go to Lisa up front here.

Lisa Gill - *JPMorgan Chase & Co - Analyst*

Lisa Gill, JPMorgan. Of course, I'm going to ask a pharmacy question. So as I think about the 0% to 4% that you're talking about between now and 2030, just really want to understand on each end, right? So what gets you to 0? What gets you to the 400 basis points better?

How do we think about the conversion to Signature? Is that part of it that initially, you won't make as much dollar value? If I look, Adam, for example, the numbers that you put up, $2.3 billion of operating profit, $2.1 billion of scripts, that comes out to $1.24 a script. Is that like what you're looking to recapture in a Signature type of contract? Like how do I think about that, one?

And then just secondly, we didn't talk about 340B today. You and I talked a little bit about it over there. But I think there's a lot of questions in the market around changes around 340B and the impact on your pharmacy business.

Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

So Adam, maybe you can start on the Signature specific and then Matt, you can pick up on the 340B aspect of the question.

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

Okay. Sure. Yes. Thanks for the question, Lisa. So from a Signature perspective, yes, we expect, given how the market is very dynamic right now, and it is evolving.

And for the first time in a couple of decades, we're seeing a decline in the rebate model, we are transitioning. We're leading through that transition from an industry perspective. We expect during this transition as we move many clients from a rebate model to a rebate-free model that during that transition, we're going to see the ramp over that time period of the growth.

As we transition more clients into the Signature model, we do expect based off of the potential improved economics that we will see as you'll see a more rebalancing, especially across the market where many of our clients today, we may actually see some improved profitability given the benefits that we went over of -- they're going to see real big benefits in terms of cost savings for their highest cost patients and neutrality for them, but there's also some time value money components as well as was mentioned in the panel.

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And so we expect based off of that and our ability around different solution sets that we will continue to be able to successfully provide selling into our clients because they do add a lot of value that those components will create additional tailwinds as will our ability as we're contracting and minimizing our risk.

So from a predictability perspective that I talked about quite a bit today, that means there are clients today that we lose money on, right? We've taken some risk. And in the future state, we'll be in a much more predictable perspective, and we'll be able to eliminate some of that downside risk, which should provide us with some additional upward opportunity throughout that change curve that we're working through over the next four or five years.

Matt Perlberg - *The Cigna Group - President, Evernorth Pharmacy and Care Delivery and Executive Vice President, Customer Innovation*

And I'm happy to pick up on the 340B. So 340B, as you all know, has been a very long-standing program. I think it was created back in like the early '90s. And so it's been through a lot of different changes, legislative, regulatory over those years. As it pertains to us, we participate as a contract pharmacy, but still a relatively small part of the business when you put it in the context of the overall Cigna Group.

And you can think of -- we, for example, don't have retail pharmacies or a big retail presence. And so it becomes a relatively small part of our business, manageable in the context of the overall enterprise as well as contemplated in the 8% to 12% that we talked about in Specialty and Care.

Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

Yes. Two quick wrap-up comments. My point to Matt because 340B contributions are reflected in our Specialty and Care segment specifically to Matt's point, relatively small part of the overall franchise. And to your question about the algorithm, Lisa, the 0% to 4% for PBS, we are not assuming any market share gains. So that if we do take share, would give upside relative to what's in our projection.

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Let's go to Charles in the middle.

Charles Rhyee - *Cowen and Company LLC - Analyst*

I wanted to follow up on Specialty and maybe a little bit on that 340B part because you talked about kind of creating this new pharmacy network kind of connecting Accredo with Shields. And the way I understand in 340B, right, Shields is helping hospitals to participate in the 340B program. And as restrictions from pharma is happening, 340B entities are trying to in-source more of those scripts to themselves, not sending out to a contract pharmacy.

If you're partnering -- so I would imagine that would be a headwind for Accredo as a contract pharmacy. Can you explain a little bit more how maybe this partnership changes that dynamic for you guys? Does this allow Accredo to still serve 340B entities and participate in that program to a greater extent than maybe just as a stand-alone contract pharmacy?

And then just in general on Specialty, if I could, obviously, you talked about all the LDDs you're part of. Maybe in broad strokes, what are the big therapeutic categories that are important for Accredo that really kind of moves the needle? I know in other peers, people talk about oncology or other disease states. What -- you mentioned MS, for example, like what are the big ones that we should pay attention to and see pipeline of new drugs coming in and say, all right, this is a good tailwind for Accredo.

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Matt Perlberg - *The Cigna Group - President, Evernorth Pharmacy and Care Delivery and Executive Vice President, Customer Innovation*

So a couple of different parts of the question. Let me first just pick up on the 340B point. So a couple of macro points that I would make. First, Accredo does participate as a contract pharmacy. But again, that's a relatively small part of the portfolio and manageable in the context of the current enterprise. That relationship doesn't change with respect to any pharmacy network that we're in with Shields or otherwise. So that's kind of the first point.

The second point, we're really excited about the Shields investment. And the reason we're excited about the Shields investment is because of those partnerships with hospitals and health systems and the fact that they're helping those hospitals and health systems run their specialty pharmacies. We do see that as an important growth vertical, particularly in that medical benefit space.

I would note, though, that the way that we've structured the Shields relationship, it's -- we have a -- think of it as like a preferred equity stake, but it's not dependent on the earnings of Shields. So to the extent that there's fluctuations in that, that doesn't actually manifest itself into our P&L.

So I would just kind of call that out. And we're excited about the pharmacy network, but I wouldn't call out anything specific to 340B with respect to that nor any changes in the relationship there. As you go to limited distribution drugs, I mean, this is where -- this is an area where we really shine. We are the leader in limited distribution drugs. We have access to over 330. That is more than anybody else. And it includes over 30 products that are available exclusively at Accredo.

In the limited distribution drug space, you tend to see that show up in the more rare drug space, drugs that tend to be smaller volume, they tend to be higher cost. So I would look at, for example, the rare advanced therapies, gene therapies where we've seen quite a bit of growth in the LDD space. Oncology also is a sizable place for Accredo actually. It's about our -- I think it's our second largest therapeutic area, and it's an area where we see growth. You actually saw that in the video that we showed from Sylvio.

That was a manufacturer partner who brought an oncology product to market, and they chose Accredo as their exclusive pharmacy. And a lot of the capabilities that we have, our clinical expertise as well as what we're building going forward with things like pharmacy forward, helping get patients started on therapy and keeping them on therapy is really important to manufacturers. And as we continue to extend our leadership position in that, that's why we have the confidence we'll continue to be a leader in that space as well.

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

We're going to Justin all the way in the back. Let's get some -- questions there.

Justin Lake - *Wolfe Research LLC - Analyst*

Justin Lake from Wolfe Research. I wanted to follow up on Lisa's question around the PBM side of the business. You gave the example of the new contract in PBS at stable margins as contracts transition to a fee-based model. Yet you also talked about the earnings trajectory commentary seem to indicate that the next couple of years might be closer to the low end of that 0% to 4% growth. First, do I have that right?

And then if this transition isn't driving the lower margin, can you help us understand what is? For instance, you talked about the time value of money. Don't see much investment income running through the PBS business. Maybe you're talking about having to front the dollars and maybe there's like an interest expense cost there. But what drives you to the lower end, the zero over the next couple of years on the PBS side?

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Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

Adam, do you want to start and Ann can pick up on the time value piece?

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

Sure. So as we've discussed this morning, there's, first, the transition of the business. And as we've indicated before, there are some smaller investments that are occurring as we work to transition the business as we're overhauling the entire supply chain. So we're recontracting the entire pharmaceutical manufacturer components and then certainly from a pharmacy perspective as well. I'd characterize those negotiations on both sides going well. We're middle innings with pharmacies today. We're getting more and more pharmacies that are enrolling in our new cost-plus model.

On the pharma side, we are having more of the larger manufacturers that we are gaining agreement on of how that's going to look future state. And much of where -- from a manufacturer perspective, there is going to be an element of a lot of that value that is coming directly to those patients taking high-cost drugs, that value is going to be provided from a manufacturer perspective in a more immediate term than it is today. But there isn't an expectation that we're going to be supplementing that for a long term. Instead, it's going to be much more from a manufacturer perspective of providing much of that value upfront. And so as we transition through that period, we should start to see some additional opportunities longer term.

We're also going to be extracting more value out of the market. And our admin fee tied to the value that we provide or more closely to the value that we provide future state means that admin fee, there should be an opportunity for us to continue to provide a higher overall admin fee as we're extracting more value out of manufacturers and providing the best trend management in the business. And so those opportunities create a real opportunity for us to continue to ramp those earnings during that time period. But Ann, anything to add?

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

I think you covered it well. The only thing I would hit on, on margin that you didn't touch is just to remind you of the dynamics. So when we talk about the three large clients that we renewed, that's all sitting within -- for the most part, sitting within the PBM part of the business. And so when you look at it, there's a margin differential there between even the target margin.

Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

And Justin, just to double-click on the timing of the 0% to 4% emergence to your first part of your question. If you remember the slide Adam showed that showed industry rebates PMPM growing for many years and actually declining in '26 and '27. That puts some modest pressure on our legacy economics in the PBM prior to Signature models. And similarly, we're seeing GLP-1 growth slow down. Those types of things put modest downward pressure. But the strength of Cigna Healthcare, the strength of our Specialty business give us the 10-plus percent EPS growth for 2027 despite those dynamics. And then as Adam indicated, later in the decade, we'll start to see that growth rate increase.

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

We'll go to Elizabeth right upfront.

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Elizabeth Anderson - *Evercore ISI - Analyst*

Elizabeth Anderson from Evercore. One of the things you talked about today was the Evernorth wholesale business. Can you talk a little bit about sort of what are your expectations there? Is that distributing for Accredo? Is that mostly focused on hospitals? Is it more open than that? More details on that would be very helpful.

Matt Perlberg - *The Cigna Group - President, Evernorth Pharmacy and Care Delivery and Executive Vice President, Customer Innovation*

Absolutely. So broadly, we're really excited about CuraScript overall. I mean this is a $25 billion business. It's been growing at about 20% per year for the past five years, really, really strong performance. And we expect about $20 billion in new distribution revenue by the end of the decade.

I would call out Evernorth wholesale as one of the things that drives that. There's other drivers, too. We see organic growth, for example, we see growth in serving our own pharmacies, Accredo as well. We see growth in the hospital system channel with some of the capabilities that we've led as well as Evernorth wholesale.

Evernorth wholesale is really exciting because what it allows us to do is get access to new medications that historically we haven't had access to within CuraScript. And so that helps us grow business with existing customers. We have existing customers that buy those drugs or would like to buy those drugs and can now have access to that through us. And it will give us access to new customers who may want to use CuraScript or Evernorth wholesale, but historically haven't -- we don't have full line access to medications. And so this gives us another avenue to grow that business.

So I would point to it as one of a number of areas of growth and part of why we feel really confident in the $20 billion of additional distribution revenue by 2030.

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Let's come over to this side. Let's go to Lance. Let's wait for the mic here.

Lance Wilkes - *Sanford C Bernstein & Co LLC - Analyst*

So just one quick follow-up on the Pharmacy Benefit Services section and then I really want to ask about Specialty a little more. On the PBS side, though, as you talk about pressure maybe as you transition over to Signature and whatnot, could you help to give investors a little confidence in why this would be a floor for margins? And I think one thing that might be interesting is, obviously, you run a huge self-insured employer business. You're familiar with component elements of what these costs and returns and margins are for comparable businesses. So how do you guys get comfortable with that and then over on the Specialty Pharmacy side.

If you could talk a little bit about in the growth in earnings that you see from the business, how much of that should we be thinking of as like revenue as opposed to earnings growth? So like what are biosimilars and generics doing so that we can kind of think that through and how that impacts margin? And lastly, on that, what other sort of capabilities or white space do you still need or you see opportunity? Obviously, distributor you just talked about. But are there things in rare and orphan, are there particular conditions? Are there like particular aspects of infusion or something like that, that present opportunity for you?

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Thank you for that one question, Lance.

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Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

Thanks, Lance. There's a lot in there. Maybe I'll start, and Adam, if you want to pile on, on the Pharmacy Benefit Services piece and then Matt on the Specialty component. To your point on margins, legacy models, Signature models, A, we will have the pen on the underwriting of the pricing, which is very important. So Adam and Ann's teams are working together on that.

Two, if you think about the value creators in terms of why clients work with us, they're the same in our legacy rebate-driven models as they are in our Signature models, right? We deliver superior unit costs. We have great clinical programs that ensure medication adherence. We administer complex benefit designs. Same exact value creators in the legacy model as in the Signature model.

We'll get paid differently. So you heard Alicia when she was up here on the panel with Adam talking about administrative fees will go higher and employers are starting to understand and accept and embrace that. But we expect to target the same margin profile, legacy model, new model. Anything you'd add to that?

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

Only that it's recognized based off of where we're going to be able to lead the industry here that clients need a strategic partner. And in these times where they're seeing more unpredictability, they need a leader that's going to be able to shepherd them through those things. We are looked at today bar none as that leader. It's shown in the really high client retention rates that we're seeing in the mid-90s. It's also demonstrated in the really strong new sales growth that we continue to see that is profitable, that is hitting target margins to Brian's point on having control of the pin there.

And we're continuing to be able to lead from a thought leadership perspective. So not only are we looked at today as being the right partner now even with the unpredictability and uncertainty around some of the rebate components, which is putting a small amount of pressure on our earnings. But from a growth potential long term, we're looked at as the right partner because we are going to continue to deliver real value to those clients from a strategic perspective and be able to keep that cost curve in check for them.

Matt Perlberg - *The Cigna Group - President, Evernorth Pharmacy and Care Delivery and Executive Vice President, Customer Innovation*

And then to the second part of the question, if I think about just the earnings growth in Specialty. So first, we reaffirmed today 8% to 12% long-term annual earnings growth. We're confident in that. We've actually, over the past two years, delivered at the high end of that range. And we have -- and that's a combination of both the secular growth that we see as well as the specific capabilities that we have that differentiate us that allow us to grow even beyond the secular growth that we see.

There's a couple of things that are driving the overall market growth. So if you step back at the $480 billion market, that market has been growing in the high single digits, and we expect that to continue. There's a couple of things driving that. One is just new drugs coming to market. So the pipeline is very strong.

I think north of 70% of the drugs that are approved by the FDA last year were specialty drugs, and we expect that growth will continue. We also see a lot of growth just in the existing medications. And we're seeing, for example, doctors, in some cases, moving to specialty medications earlier in treatment as a frontline therapy as opposed to, in some cases, after multiple attempts at a traditional medication. So all of that leads to the secular growth in the space.

Biosimilars, as you mentioned, they offer savings opportunities. So it tends to have a negative effect on revenue, but it expands earnings. And importantly, it's a savings opportunity for patients and plan sponsors. And because of our model of alignment with them, that actually helps fuel our growth as well. And so the strong biosimilar pipeline we see is another fuel for earnings growth.

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We expect about $100 billion in annual spend to face new competition by 2030. You asked a part of the question on additional capabilities. So importantly, we don't feel like we need additional capabilities in order to achieve that 8% to 12%. We're really confident in the capabilities we have, both in the pharmacy and medical benefit space. Having said that, we do see the increased growth in the medical benefit space as a tailwind for us.

And the fact that we have CuraScript that's been growing the way it's been growing, the recent acquisition of Carepath as well as the investment in Shields, we think that combination of capabilities across pharmacy and medical is a differentiator for us, all of which gives us the confidence in that 8% to 12%.

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Let's go to Kevin right in the middle.

Kevin Fischbeck - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Kevin Fischbeck from BofA. Just want to go to the PBM side of things. I think there's just a lot of concern about the timing of legislation and how it's going to impact profitability. I think there's always concern when it comes to PBMs that there's another shoe to drop. But it sounds like you're saying that '26 -- '27 maybe is kind of the bottom from a margin perspective, you actually be accelerating even as the legislation starts to take effect and customers are increasingly buying these programs.

So just if you haven't actually contracted yet, the amount of visibility that you have on that trajectory of improving margins over the next couple of years. And then when we think about that 0% to 4% number, if you -- how much of that is just margin improvement versus revenue growth? It doesn't sound like there's actually much revenue growth because right now, you're making these investments in the transition. So margins are below average in '26 versus where the target margin is, say, in 2030. So I just want to understand kind of the math behind 0% to 4%, what kind of revenue growth that assumes versus margins?

Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

I appreciate all those questions, Kevin. I'll start, and Adam, you can jump in on this. So on the latter part of your question, you should think of the Signature model will be a fee-based simple from an analytical standpoint, a simple model to understand. It will be easier for all of you to model, easier to understand what's happening relative to the conversion of customers to revenue and earnings once we're fully scaled. We're going through a migration period, as you know, right?

'28 is when we'll start to scale. We'll have 50% of eligible lives in that by the end of '28, and it will grow thereafter. So to your point, margins right now are somewhat depressed in our PBS business as we're making investments in Signature as well as some of those industry-wide dynamics that I referenced earlier. So we will see some level of margin expansion through the balance of the decade in that business. Now Adam and his team are doing a tremendous amount of work to build out our Signature model.

So you shouldn't think of as we're starting from 0. There's actually quite a bit of discussion happening with manufacturers, discussions with potential clients, discussions with existing clients. So do you want to pick up on where we are?

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

Sure. Yes. So interest remains high. As we've covered, 2028 is when Signature will go live. Cigna's fully insured block will go live next year within the Signature model. We already have clients that are looking for more transparent, simplified fee models. And so we're transitioning

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clients now into those types of models. There's the high interest within Signature. We are seeing where full pass-through models, a definite movement towards much higher administrative fees because it's offset by full transparency of the value that's going through.

So we remain confident in our ability to successfully transition clients the 50% or more of our members, which will be transitioned by the end of 2028 into those types of models. And the market itself, you can feel it shifting where we were back in October of last year, making an announcement, there was certainly a lot of skepticism around a rebate-free model. But we have spent a year before preparing for it. We had the tracks laid as we work through with manufacturers and with pharmacies, and that's all progressing.

So we are on track to be able to deliver it. Interest will remain high. We'll be able to transition. And keep in mind, there is clarity in the market today. So we have an FTC settlement. We have the CAA, which will go into effect in August of 2028.

So we know what those components are from a federal landscape perspective, and we're executing against those to give the assurances to our clients that they will have CAA compliance and we'll see strong adoption because the whole market is going to have to make decisions at that point of do they want to stay with the CAA-compliant legacy rebate model, which we will have available or what our new standard is from a Signature perspective. But either way, we remain confident then that we'll be able to grow to the higher end of that 0% to 4% range as you get into those outer years.

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Let's go to Michael Ha.

Michael Ha - *Robert W. Baird & Co Inc - Senior Reseach Analyst*

Michael Ha from Baird. Just wanted to double-click on Signature. So when you describe margins as being preserved under Signature, does that also mean comparable earnings per member, assuming the same utilization and drug mix? Or should we distinguish between preserving margins versus preserving earnings dollars? And to Brian's point about the rebate pool shrinking for your legacy business, do you have contractual flexibilities around fees or other terms to help -- like within the contract period to help preserve earnings? Or do you really have to just wait until repricing in the new contract renewal?

Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

Adam, do you want to share on that?

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

Yes. So from a rebate perspective, to hit the back end of your question, we're managing our guarantees today, and they are in line with our expectations. And we do have adjustments where needed to be able to work with our clients to make those adjustments when market events do occur. And so we've been able to manage through that. It's manageable today. We expect to continue to be manageable through Inflation Reduction Act types of components throughout the time period or MSN adjustments. So that part is not a concern.

From an overall earnings perspective, we do expect to have an earnings level that is consistent with where we are today for the future state and some new opportunities around the overall earnings. So I wouldn't expect that you're going to see -- you'll actually see more predictability as we're able to mitigate more of the downside risk within Signature because we'll have a predictable, stable level within the potential to grow off of that by selling in new solutions and products. And those products are priced based off of the value that we deliver.

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And so as we continue to deliver more value and as costs continue to go up in terms of high-cost specialty drugs, that means we're going to continue to be able to deliver more value and the effective solutions that we put into place, which means we'll be able to then be compensated at a higher amount for those, which should continue to then ramp.

We'll leverage value-based solutions as we do today. They may look different than our SafeGuardRx portfolio that we've been really successful with where we have over 60 million of our lives enrolled in those programs. But that type of chassis is what we will utilize into the future. So those components don't go away. They'll just be leveraged in a different form and still be able to deliver on the durability of the earnings.

Ann, anything to add?

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Can we go to Erin.

Erin Wright - *Morgan Stanley and Co. Ltd - Equity Analyst*

Erin Wright, Morgan Stanley. As you think about the medical benefit being the next leg of growth in Specialty, I guess, do you see the need to own or partner more closely with an MSO? And is that -- or other provider-facing assets just to capture more of that opportunity at CuraScript or otherwise? Do you need to own that entity to fully recognize that? And then also, as you think about private label biosimilars in Part B arena, are you limited on that front at all? Or how can you participate there as well?

Matt Perlberg - *The Cigna Group - President, Evernorth Pharmacy and Care Delivery and Executive Vice President, Customer Innovation*

So probably worth noting, if you step back, we do see a lot of growth potential in that medical benefit space, and we have a leadership position in pharmacy today, but we have a collection of assets that we're really excited about, CuraScript being the largest, Carepath and our investment in Shields. And the combination of that, we feel we'll be able to deliver outsized growth in that medical benefit space. It's probably worth noting, we partner with providers quite a bit today.

I mean CuraScript serves about 12,000 providers, physicians' offices, infusion centers, hospitals and health systems. And then our acquisition of Carepath as well as the investment in Shields gives us partnerships with many more hospitals and health systems as well. So we have a really, really good provider chassis today through partnership.

I would say we feel like we have the assets that we need in order to compete in that space. And we're really excited about that. We've already been delivering CuraScript for the last several years, 20% year-over-year growth. We said that -- we expect about $20 billion in new distribution revenue, and we're really confident that, that will help us grow in that space as well as be part of the 8% to 12%. As it pertains to private label biosimilars, I would say this is really one example where the collection of assets that we have across The Cigna Group is really impactful.

So we have Cigna Healthcare, we have our Pharmacy Benefits Business. We have our Specialty Pharmacy, and we also have our Specialty Distribution and Provider businesses. If you think about the collection of all of that as we start seeing now biosimilars, as you mentioned, in the medical benefit space, that's just another chassis that we have to help drive savings for patients, savings for providers as well as help fuel our growth as well. So we're actually really excited and bullish about that opportunity. And it really comes down to that collection of assets that are pretty unique to The Cigna Group.

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

We'll go to Steve Baxter all the way in the back there.

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Stephen Baxter - *Wells Fargo Securities LLC - Analyst*

I was hoping you could speak a little bit about the competitive landscape in the PBM space. I think there's a perception that alternative PBMs have gained a lot of momentum over the past couple of years, and they're competing on fee structure, transparency. And also, I think there's a perception that pricing is part of the reason that they're winning in the market. I guess the model change addresses transparency and fee structure. But how would you describe how you expect the competitive dynamics with these alternative PBMs to play out?

Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

Matt and Adam, you guys are popular today on our panel. So we had our best selling season in 2027 in several years in PBM, which speaks to the robust nature of the value prop we're able to deliver against some of those alternative PBMs as well as the larger, more scaled competitors. Adam, maybe you can pick up a little bit more on how you see the competitive landscape going forward?

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

Sure. So it is a highly dynamic market today. As Brian mentioned, though, we've had the best selling season in quite some time, especially when you look -- if you take out mega clients and you look at the breadth and depth of what we're selling across government programs, labor and small, middle market and even large market. And some of those wins are coming from some of the smaller PBMs as win backs where they went expecting something new and didn't get what they thought they were going to be delivered on. And what clients are looking for, what wins today and what won tomorrow and win in the future is still the consistency of can you address affordability?

Can you simplify the model from an accessibility perspective? And can you still deliver best-in-class transparency? Our current model does those things exceptionally well, and we're offering best-in-class economics given our size and scale and the 117 million Americans that we already serve today. We're leveraging that as we move forward with our new model as well, improving the level of transparency with our clients. They're looking for that strategic partner.

What we've also done is really proud of our people, and we're bringing out the expertise of our people out into the market that work on these things every day. We've got a leadership team with decades of experience. And it's that type of knowledge across clinical, financial and being able to truly create new innovative solutions that we are recognized as a continued leader in the market, and that's where we continue to shine.

And so I remain confident on where we are today, regardless of who we're competing against and what we're going to be up against in the future as well. But that's why we continue to see high client retention and profitable new sales growth.

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Let's go to George.

George Hill - *Deutsche Bank AG - Analyst*

George Hill from DB. I wondered if we could talk a little bit more about the biosimilar rebate dynamic. You had mentioned, if I heard you correctly, that the lower rebates and biosimilars are putting pressure on clients and there's some sensitivity in the decision-making process.

I assume that this is the increased use of biosimilars is going to drive margin expansion in the Specialty space, but I would also assume that clients are most concerned with lower drug costs, though I think many of us are sensitive to the rebate dynamic. I would just love if you

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could just spend a little more time on what is the client sensitivity around the changes in rebates as biosimilars get adopted versus what happens on the brand side and again, the margin contribution?

Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

Sure. I'll start, George, and then Adam, if you want to talk about the client side and Matt, if you have anything you want to sweep relative to the biosimilar contribution. So as you think about our portfolio in Evernorth, branded drugs with rebates. So take HUMIRA is a good example. The contribution of that financially would show up in our Pharmacy Benefit Services business that Adam oversees, right, the 23% of the company's earnings.

When HUMIRA biosimilars were available, we made a full court press toward moving as many patients as possible into the biosimilar with a $0 patient out-of-pocket, much lower net cost to the plan sponsor, whether that be an employer or a health plan. The contribution of the biosimilars ends up in the Specialty and Care segment. So if a previous HUMIRA script would have been in Adam's P&L, the biosimilar now is up in Matt's P&L, right? And it's a good thing for the patient because they get a $0 out of pocket. It's a good thing for the employer or the health plan because they get a lower net price.

So to your point, at the end of the day, the lowest net price is what rules the day, and that's been the orientation we've used around biosimilar adoption. Anything else on the client side?

Adam Kautzner - *The Cigna Group - President, Evernorth Care Management and Express Scripts and Executive Vice President, Customer Personalization*

Yes. I think on the client side, clients are -- they've been used to growing rebates, right, for the last couple of decades. And so with -- like the largest drug in the world, HUMIRA going biosimilar, they're used to evaluating us in terms of different guarantees and rebate guarantees are a primary driver of making decisions. And those rebate guarantees today are now flexible. But what they're realizing is much better overall net cost savings.

So there's a win for clients. They've just got to evaluate it differently. And so that's what Alicia has to explain of -- she's on the panel today and you're getting a net win here, but it's how do we make sure that an organization like us has been really successful at transitioning more patients to biosimilars, how we're not penalized and evaluating us versus others from a competitive perspective.

So this actually is moving the market into a much more positive direction, which is focus on true net cost and less on guarantees. We'll be successful either way, but I think it's a much better place to go of you're saving patients' money, you're saving clients' money at the end of the day, that's the best thing, and we're extracting more money out of manufacturers in these types of new environments.

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Maybe we'll take one more. Sarah?

Sarah James - *Cantor Fitzgerald LP - Analyst*

Sarah James, Cantor. At the midpoint, there's about 170 bps of the long-range projection that's driven by above-market growth. Hoping you can double-click on a couple of the assumptions underpinning that. So the first 70 bps or the 1% to 3% from Specialty and Care services, what medical benefit share gain assumptions is that based on? And how did that fare in 2027 versus that baseline?

And then second, there's about 100 bps to enterprise or 2% to 3% to the segment in health care. Can you scale the buckets of how much of that is Select versus International and stop loss?

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Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

Sure. Thanks for the question, Sarah. I'll start and maybe Matt and Bryan, we can do a tag team on the Specialty and the Cigna Healthcare assumptions. So as you heard throughout the day, we talked about our three-pillar growth framework of delivering core growth, leveraging distinct capabilities, executing with discipline. So the above-market growth falls squarely where we're leveraging distinct capabilities.

So in the case of Specialty, it's all the things you heard from Matt, the network of clean rooms, industry-leading LDD access, great patient experiences, manufacturer relationships, et cetera. In the case of Cigna Healthcare, the affordability gains that Bryan talked through will drive our ability along with the funding-agnostic model. So would you guys mind putting a little bit more of a finer point on that?

Matt Perlberg - *The Cigna Group - President, Evernorth Pharmacy and Care Delivery and Executive Vice President, Customer Innovation*

You definitely hit the highlights. I think stepping back, the 8% to 12%, we're reaffirming that long-term annual earnings growth today, but we've grown at the high end of that for the past several years. And that's because of the combination of capabilities that we talked about, the clinical expertise we have, the leading access to medications as well as the supply chain advantage that we have. That includes capabilities across the pharmacy benefit space. It also includes capabilities across the medical benefit space.

So while we would see outsized growth in the medical benefit space, I wouldn't just highlight that as the only area of reasons why we feel confident beyond the secular growth. It's really the combination of capabilities that we have across all of those that gives us that confidence.

Bryan Holgerson - *The Cigna Group - President, Cigna Healthcare US and Executive Vice President, Customer Health Outcomes*

Yes. And as it relates to Cigna Healthcare, there's two pieces. You mentioned both of them, stop loss and you mentioned Select. I'll add one more. As it relates to stop loss, we commented that we have 100 basis points of margin recapture. The majority of that's in '26. We're on path for that. There will be a remainder that happens in '27. Beyond that, the growth that we expect in '27 is both in our middle market and in Select. I mentioned earlier the outsized earnings that Select drives. So as we grow into Select in '26 or as we grow into Select in '27, you'll continue to see that carry over from a margin standpoint as well.

Ralph Giacobbe - *The Cigna Group - Senior Vice President, Investor Relations*

Okay. That concludes the Q&A session. I'm going to ask our leadership team to step down, and we can move to Brian's close. Again, I appreciate everyone's question and engagement there.

Brian Evanko - *The Cigna Group - President and Chief Executive Officer*

Thanks, Ralph. And thanks, everybody. I really appreciate the detailed questions you just asked and the level of interest you demonstrated throughout the day today. Hopefully, you heard from our team, the passion, the confidence, the level of engagement we have with one another and the way both we deliver value to the market, but also the culture we have. So hopefully, that was evident to you throughout the time this morning. So thanks for prioritizing this. We really do appreciate it.

Just to recap a few key points. You heard my opening throughout the day, we talked about our Lead to One vision. This is our unifying enterprise vision for delivering personalization at scale for all the customers and patients we serve across all of our businesses, whether they're healthy today or whether they have complex health care needs. So again, the essence of Lead to One is personalization at scale. And you heard about this vision being enabled by our strategic growth framework, delivering core growth, leveraging distinct capabilities and executing with discipline.

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We talked about one team, the fact that all of our employees are aligned around serving the customers and patients holistically that we have the privilege to serve. And we talked about Accelerate to One, which is our $3 billion multiyear savings initiative through driving modernization and productivity across the organization, a portion of which will make our products and services more cost competitive in the market and a portion of which will support our financial commitments over the longer run.

Now you also heard quite a bit of focus from us on complex health care needs. And we talked about how just 8% of patients have complex health care needs, yet that represents 55% of all the health care spending and how our intentionally built portfolio across The Cigna Group leads to an even higher percentage of the spending we impact being associated with complex care.

And we discussed the leadership position that we've carved out over a period of years and decades, specifically in serving those individuals who have complex health care needs. And that includes our Specialty and Care Services segment, which now represents 37% of the company's total income, up from just 30% at our last Investor Day.

So taken all together, hopefully, you would agree The Cigna Group is a compelling long-term investment. We're positioned in the areas of health care where both needs and spending are concentrated today and are growing rapidly. We have competitive advantages specifically in serving those patients who have complex health care needs.

And our Lead to One vision unifies all of our 60,000-plus colleagues around serving customers and patients uniquely and driving personalization at scale. The deliberately shaped portfolio includes business unit expertise, like you heard today from Bryan, Matt and Adam, along with reinforcing enterprise capabilities, as you heard from Amy, Katya and Ann.

We have a track record of executing operational excellence as well as financial discipline with strong capital stewardship. All of these capabilities give us a long-term runway for durable growth and shareholder value creation.

So thank you for your attention. I really enjoyed the interaction today, and I hope you all have a great afternoon. Thanks again.

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