

The Cigna Group

Quarterly Financial Supplement

March 31, 2023

This document is dated May 5, 2023. The data contained in this document may not be accurate after such date and The Cigna Group does not undertake to update or keep it accurate after such date.



The Cigna Group
March 31, 2023 Quarterly Financial Supplement
Table of Contents

Financial Highlights	1
Consolidated Income Statements	2
Evernorth Health Services Segment Analysis	3
Cigna Healthcare Segment Analysis	5
Corporate and Other Operations Analysis	9
Consolidated Balance Sheets	10
Condensed Consolidated Statements of Cash Flows	11

BASIS OF PRESENTATION:

All dollar amounts are in millions, unless otherwise noted.

The Cigna Group (the “Company” or “our”) measures its financial results on a consolidated basis using adjusted income from operations and adjusted revenues. Adjusted income from operations and adjusted revenues on a consolidated basis are not determined in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and should not be viewed as a substitute for the most directly comparable GAAP measures which are shareholders’ net income and total revenues. The Cigna Group also uses adjusted income (loss) from operations to measure the results of its segments, however the segment metric is determined before income taxes.

Adjusted income (loss) from operations is a principal financial measure of profitability used by The Cigna Group’s management because it presents the underlying results of operations of the Company’s businesses and permits analysis of trends in underlying revenue, expenses and shareholders’ net income. The Company defines adjusted income from operations as shareholders’ net income (or income before income taxes less pre-tax income (loss) attributable to noncontrolling interests for the segment metric) excluding net realized investment results, amortization of acquired intangible assets and special items. The Cigna Group’s share of certain realized investment results of its joint ventures reported in the Cigna Healthcare segment using the equity method of accounting are also excluded. Special items are matters that management believes are not representative of the underlying results of operations due to their nature or size. Adjusted income (loss) from operations is measured on an after-tax basis for consolidated results and on a pre-tax basis for segment results. Consolidated adjusted income (loss) from operations is not determined in accordance with GAAP and should not be viewed as a substitute for the most directly comparable GAAP measure, shareholders’ net income. See the Financial Highlights page for a reconciliation of consolidated adjusted income from operations to shareholders’ net income.

Adjusted revenues is used by The Cigna Group’s management because it permits analysis of trends in underlying revenue. The Company defines adjusted revenues as total revenues excluding the following adjustments: special items and The Cigna Group’s share of certain realized investment results of its joint ventures reported in the Cigna Healthcare segment using the equity method of accounting. Special items are matters that management believes are not representative of the underlying results of operations due to their nature or size. We exclude these items from this measure because management believes they are not indicative of past or future underlying performance of the business. Adjusted revenues is not determined in accordance with GAAP and should not be viewed as a substitute for the most directly comparable GAAP measure, total revenues. See the Financial Highlights page for a reconciliation of consolidated adjusted revenues to total revenues.

Effective January 1, 2023, The Cigna Group adopted Accounting Standards Update (“ASU”) 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts, and related amendments. Accordingly, our consolidated income statement, consolidated balance sheet, condensed consolidated statement of cash flows and segment results for Cigna Healthcare and Corporate and Other Operations, including medical care and SG&A expense ratios, for prior periods presented have been restated to reflect the adoption of the new accounting guidance. The cumulative effects of adopting the new standard were immaterial. For more information about this guidance, please refer to the Summary of Significant Accounting Policies footnote in The Cigna Group’s Form 10-Q for the period ended March 31, 2023, expected to be filed on May 5, 2023, for additional details.

In some financial tables in this Quarterly Financial Supplement, we present percentage changes. When those changes are so large as to become not meaningful, we present “N/M” in place of the computed percentage.

The Cigna Group Financial Highlights (unaudited)

	Three Months Ended March 31,		% Change
	2023	2022 ⁽¹⁾	
Total revenues	\$ 46,517	\$ 44,006	6 %
Net realized investment results from certain equity method investments	(38)	103	N/M
Adjusted revenues	\$ 46,479	\$ 44,109	5 %
Shareholders' net income	\$ 1,267	\$ 1,197	6 %
Pre-Tax Adjusted Income (Loss) From Operations by Segment			
Evernorth Health Services	\$ 1,320	\$ 1,302	1 %
Cigna Healthcare	1,115	1,297	(14)
Corporate and Other Operations	(399)	(114)	(250)
Consolidated pre-tax adjusted income from operations	\$ 2,036	\$ 2,485	(18) %
Adjusted income tax expense	418	537	(22)
Consolidated after-tax adjusted income from operations	\$ 1,618	\$ 1,948	(17) %
Adjusted EBITDA⁽²⁾	\$ 2,684	\$ 3,043	(12) %
Operating cash flow (see page 11)	\$ 5,028	\$ 2,030	148 %
SG&A expense ratio⁽³⁾	7.6 %	7.4 %	(20) bps
Adjusted SG&A expense ratio⁽³⁾	7.6 %	7.3 %	(30) bps
Weighted average shares (in thousands)	298,999	321,282	

	Three Months Ended March 31,				% Change
	2023		2022 ⁽¹⁾		
	Pre-tax	After-tax	Pre-tax	After-tax	
Diluted earnings per share					
Shareholders' net income		\$ 4.24		\$ 3.73	14 %
Adjustments to reconcile to adjusted income from operations					
Net realized investment losses ⁽⁴⁾	\$ 0.06	0.02	\$ 1.32	1.10	
Amortization of acquired intangible assets	1.54	1.15	1.43	1.11	
Special items					
Integration and transaction-related costs	—	—	0.16	0.12	
Total special items	\$ —	—	\$ 0.16	0.12	
Adjusted income from operations	\$ 5.41		\$ 6.06		(11) %

	As of March 31,			As of December 31,	
	2023	2022	% Change	2022	% Change
<i>(Relationships, lives and policies in thousands)</i>					
Pharmacy ⁽⁵⁾	98,749	94,388	5 %	93,905	5 %
Medical (see page 7)	19,473	17,779	10	18,004	8
Behavioral Care ⁽⁶⁾	26,890	44,078	(39)	44,841	(40)
Dental	18,731	18,169	3	18,397	2
Medicare Part D	2,541	2,904	(13)	2,874	(12)
Total customer relationships	166,384	177,318	(6) %	178,021	(7) %

- (1) Effective January 1, 2023, The Cigna Group adopted ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts, and related amendments. Prior year results have been restated to reflect the adoption of the new accounting guidance. The cumulative effects of adopting the new standard were immaterial. Please refer to the Basis of Presentation section for additional details.
- (2) Adjusted income from operations excluding interest, taxes, depreciation and amortization ("Adjusted EBITDA") is a non-GAAP measure, defined as shareholders' net income excluding income taxes and the pre-tax impact of special items, interest expense, total depreciation and amortization, and net realized investment results.
- (3) SG&A expense ratio is calculated as selling, general and administrative expenses including special items divided by total revenues. Adjusted SG&A expense ratio is calculated as selling, general and administrative expenses excluding special items divided by adjusted revenues.
- (4) Includes The Cigna Group's share of certain realized investment results of its joint ventures reported in the Cigna Healthcare segment using the equity method of accounting.
- (5) Effective January 1, 2023, Pharmacy lives have been updated to reflect customer filled prescriptions through Inside Rx. Previously these lives had been estimated based on active customers over a period of time. Pharmacy lives for prior periods have been restated to reflect this change.
- (6) Behavioral care and total customer relationships as of March 31, 2023 were impacted by the non-renewal of a supplemental behavioral coverage contract with New York Life that was not significant to Total revenues, Shareholders' net income or Adjusted income from operations. Behavioral care and total customer relationships as of December 31, 2022 excluding the impact of the supplemental behavioral coverage contract with New York Life were 24,696 and 157,876, respectively.

The Cigna Group
Consolidated Income Statements (unaudited)

(Dollars in millions)	Three Months Ended March 31,		
	2023	2022 ⁽¹⁾	% Change
Revenues			
Pharmacy revenues	\$ 32,144	\$ 30,697	5 %
Premiums	11,025	10,356	6
Fees and other revenues	3,071	2,539	21
Net investment income	277	414	(33)
Total revenues	46,517	44,006	6
Benefits and expenses			
Pharmacy and other service costs	31,459	29,813	6
Medical costs and other benefit expenses	9,046	8,272	9
Selling, general and administrative expenses excluding special items	3,537	3,223	10
Amortization of acquired intangible assets	459	458	—
Special items	1	52	(98)
Total benefits and expenses	44,502	41,818	6
Income from operations	2,015	2,188	(8)
Interest expense and other	(358)	(299)	(20)
Net realized investment losses	(56)	(322)	83
Income before income taxes	1,601	1,567	2
Total income taxes	295	355	(17)
Net income	1,306	1,212	8
Less: Net income attributable to noncontrolling interests	39	15	160
Shareholders' net income	\$ 1,267	\$ 1,197	6 %

	Three Months Ended March 31,				
	2023		2022 ⁽¹⁾		% Change
	Pre-tax	After-tax	Pre-tax	After-tax	
Shareholders' net income	\$	1,267	\$	1,197	6 %
Adjustments to reconcile adjusted income from operations					
Net realized investment losses ⁽²⁾	\$	18	\$	425	358
Amortization of acquired intangible assets		459		458	356
Special items					
Integration and transaction-related costs		1		52	37
Adjusted income from operations	\$	1,618	\$	1,948	(17) %

(1) Effective January 1, 2023, The Cigna Group adopted ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts, and related amendments. Prior year results have been restated to reflect the adoption of the new accounting guidance. The cumulative effects of adopting the new standard were immaterial. Please refer to the Basis of Presentation section for additional details.

(2) Includes The Cigna Group's share of certain realized investment results of its joint ventures reported in the Cigna Healthcare segment using the equity method of accounting.

The Cigna Group
Evernorth Health Services
Segment Results (unaudited)

(Dollars in millions)

	Three Months Ended March 31,		
	2023	2022	% Change
Revenues			
Pharmacy revenues	\$ 33,640	\$ 31,942	5 %
Fees and other revenues	2,489	1,634	52
Net investment income	50	10	N/M
Total revenues ⁽¹⁾	36,179	33,586	8
Benefits and expenses			
Pharmacy and other service costs	33,973	31,575	8
Gross profit	2,206	2,011	10
Selling, general and administrative expenses	844	697	21
Amortization of acquired intangible assets	444	443	—
Income from operations	918	871	5
Interest expense and other	—	(1)	N/M
Income before income taxes	918	870	6
Pre-tax adjustments required to reconcile to adjusted income from operations			
Pre-tax (income) attributable to noncontrolling interests	(42)	(11)	
Amortization of acquired intangible assets	444	443	
Pre-tax adjusted income from operations	\$ 1,320	\$ 1,302	1 %
Pre-tax adjusted margin	3.6 %	3.9 %	(30) bps

(1) Total revenues equal adjusted revenues as there were no special items in the periods presented.

The Cigna Group
Evernorth Health Services
Key Metrics (unaudited)

(Dollars and adjusted scripts in millions)

	Three Months Ended March 31,		
	2023	2022	% Change
Selected Financial Information			
Adjusted EBITDA ⁽¹⁾	\$ 1,470	\$ 1,424	3 %
Pharmacy revenue by distribution channel			
Network revenues	\$ 15,748	\$ 15,531	1 %
Home delivery and specialty revenues	16,025	14,699	9
Other revenues	1,867	1,712	9
Total pharmacy revenues	\$ 33,640	\$ 31,942	5 %
Pharmacy script volume			
Adjusted network scripts ⁽²⁾	315	315	— %
Adjusted home delivery and specialty scripts ⁽²⁾	66	70	(6)
Total adjusted scripts ⁽²⁾	381	385	(1) %
Generic fill rate			
Network	88.2 %	87.2 %	100 bps
Home delivery	84.0 %	85.4 %	(140) bps
Overall generic fill rate	87.8 %	87.0 %	80 bps

(1) Adjusted EBITDA is defined as Evernorth Health Services segment pre-tax adjusted income from operations excluding interest expense and depreciation and amortization, net of amortization of acquired intangible assets that is already excluded in segment pre-tax adjusted income from operations.

(2) Non-specialty network scripts filled through 90-day programs, and home delivery scripts are multiplied by three. All other network and specialty scripts are counted as one script.

The Cigna Group
Cigna Healthcare
Segment Results (unaudited)

	Three Months Ended March 31,		
	2023	2022 ⁽¹⁾	% Change
Revenues			
Premiums	\$ 10,930	\$ 9,526	15 %
Fees and other revenues	1,683	1,498	12
Net investment income	143	266	(46)
Total revenues	12,756	11,290	13
Benefits and expenses			
Medical costs	8,883	7,765	14
Selling, general and administrative expenses	2,720	2,332	17
Amortization of acquired intangible assets	15	15	—
Total benefits and expenses	11,618	10,112	15
Income from operations			
Interest expense and other	1	2	(50)
Net realized investment losses	(62)	(303)	80
Income before income taxes	1,077	877	23
Pre-tax adjustments required to reconcile to adjusted income from operations			
Pre-tax (income) attributable to noncontrolling interests	(1)	(1)	
Net realized investment losses ⁽²⁾	24	406	
Amortization of acquired intangible assets	15	15	
Pre-tax adjusted income from operations	\$ 1,115	\$ 1,297	(14) %
Pre-tax adjusted margin	8.8 %	11.4 %	(260) bps
Reconciliation of total revenues to adjusted revenues			
Total revenues	\$ 12,756	\$ 11,290	13 %
Net realized investment results from certain equity method investments	(38)	103	N/M
Adjusted revenues	\$ 12,718	\$ 11,393	12 %

(1) Effective January 1, 2023, The Cigna Group adopted ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts, and related amendments. Prior year results have been restated to reflect the adoption of the new accounting guidance. The cumulative effects of adopting the new standard were immaterial. Please refer to the Basis of Presentation section for additional details.

(2) Includes The Cigna Group's share of certain realized investment results of its joint ventures reported in the Cigna Healthcare segment using the equity method of accounting.

The Cigna Group
Cigna Healthcare
Premium Revenue and Medical Care Ratio (unaudited)

(Dollars in millions)

Three Months Ended March 31,

	2023	2022	% Change
Premiums:			
U.S. Commercial			
Insured	\$ 4,080	\$ 3,720	10 %
Stop loss	1,503	1,325	13
Other	368	360	2
Total U.S. Commercial	<u>5,951</u>	<u>5,405</u>	10
U.S. Government			
Medicare Advantage	2,236	2,078	8
Medicare Part D	415	401	3
Other	1,542	940	64
Total U.S. Government	<u>4,193</u>	<u>3,419</u>	23
International Health	786	702	12
Total premiums	\$ 10,930	\$ 9,526	15 %
Medical Care Ratio	81.3 %	81.5 %	20 bps

**The Cigna Group
Cigna Healthcare
Total Medical Customers (unaudited)**

COVERED LIVES BY FUNDING TYPE:	As of March 31,			As of December 31,			COVERED LIVES BY MARKET SEGMENT: ⁽⁴⁾	As of March 31,			As of December 31,	
	2023	2022	% Change	2022	% Change	2023		2022 ⁽⁵⁾	% Change	2022 ⁽⁵⁾	% Change	
<i>(Lives in thousands)</i>						<i>(Lives in thousands)</i>						
Medical customers:⁽¹⁾						Medical customers:⁽¹⁾						
U.S. Commercial insured	2,218	2,166	2 %	2,238	(1) %	National Accounts	5,795	5,739	1 %	5,754	1 %	
U.S. Government insured						Middle Market	7,358	6,207	19	6,274	17	
Medicare Advantage	584	551	6	529	10	Select	2,805	2,638	6	2,760	2	
Individual ⁽²⁾	786	352	123	337	133	Small	68	37	84	64	6	
Medicare Supplement and Other	467	494	(5)	483	(3)	Total U.S. Commercial	16,026	14,621	10	14,852	8	
Total U.S. Government insured	1,837	1,397	31	1,349	36	U.S. Government	1,843	1,402	31	1,354	36	
International Health insured ⁽³⁾	1,150	1,119	3	1,169	(2)	International Health ⁽³⁾	1,604	1,756	(9)	1,798	(11)	
U.S. Commercial services only	13,808	12,455	11	12,614	9							
U.S. Government services only	6	5	20	5	20							
International Health services only ⁽³⁾	454	637	(29)	629	(28)							
Total medical customers	19,473	17,779	10 %	18,004	8 %	Total medical customers	19,473	17,779	10 %	18,004	8 %	

(1) Includes individuals in our Cigna Healthcare segment who meet any one of the following criteria: are covered under a medical insurance policy, managed care arrangement, or service agreement issued by Cigna Healthcare; have access to Cigna Healthcare's provider network for covered services under their medical plan; or have medical claims and services that are administered by Cigna Healthcare.

(2) As of March 31, 2023, individual business includes on-exchange Patient Protection and Affordable Care and Education Reconciliation Act ("ACA") business (772,000 customers) and off-exchange ACA business (14,000 customers).

(3) International Health excludes medical customers served by less than 100% owned subsidiaries. International Health lives as of March 31, 2023 reflect the transition of certain runoff business to Other Operations beginning January 1, 2023.

(4) Market Segments are defined as follows:

~ the National Accounts market segment includes employers with 3,000 or more eligible employees;

~ the Middle Market segment includes employers with 500 to 2,999 eligible employees, solutions for third party payers, Taft Hartley plans, and other groups;

~ the Select market segment includes employers with 51 to 499 eligible employees;

~ the Small market segment includes employers with 2 to 50 eligible employees;

~ the U.S. Government market segment offers Medicare Advantage (both to individuals who are post-65 retirees, as well as employer group sponsored pre- and post-65 retirees), Prescription Drug Program and Medicare Supplement as managed care alternatives to publicly funded health care programs. The segment also offers individual health insurance coverage both on and off the public exchanges.

~ the International Health market segment is focused on health care coverage in our international markets, as well as health care benefits for globally mobile individuals and employees of multinational organizations.

(5) Prior year lives have been reclassified to reflect current market segment presentation at the employer level, according to the definitions discussed in note 4.

The Cigna Group
Cigna Healthcare
Unpaid Claims Liability (unaudited)

(Dollars in millions)

	Three Months Ended March 31,		Year Ended
	2023	2022	December 31, 2022
Beginning balance	\$ 4,176	\$ 4,261	\$ 4,261
Less: Reinsurance and other amounts recoverable	221	261	261
Beginning balance, net	3,955	4,000	4,000
Incurred costs related to:			
Current year	9,041	8,024	31,342
Prior years	(144)	(276)	(259)
Total incurred	8,897	7,748	31,083
Paid costs related to:			
Current year	5,316	4,634	27,583
Prior years	2,795	2,822	3,545
Total paid	8,111	7,456	31,128
Ending balance, net	4,741	4,292	3,955
Add: Reinsurance and other amounts recoverable	218	199	221
Ending balance ⁽¹⁾	\$ 4,959	\$ 4,491	\$ 4,176

(1) The ending balance is included in the Insurance and contractholder liabilities balance on the Consolidated Balance Sheets. For additional information regarding this liability, see the Insurance and Contractholder Liabilities footnote in The Cigna Group's Form 10-Q for the period ended March 31, 2023, expected to be filed on May 5, 2023.

The Cigna Group
Corporate and Other Operations
Results (unaudited)

<i>(Dollars in millions)</i>	Three Months Ended March 31,		
	2023	2022 ⁽¹⁾	% Change
Revenues			
Total revenues and eliminations ⁽²⁾	\$ (2,418)	\$ (870)	(178) %
Expenses			
Total expenses and eliminations excluding special items ⁽²⁾	(2,378)	(1,061)	(124)
Special items	1	52	(98)
Total expenses and eliminations ⁽²⁾	<u>(2,377)</u>	<u>(1,009)</u>	(136)
(Loss) income from operations	(41)	139	N/M
Interest expense and other	(359)	(300)	(20)
Net realized investment gains (losses)	6	(19)	N/M
(Loss) Income before income taxes	<u>(394)</u>	<u>(180)</u>	<u>(119)</u>
Pre-tax adjustments required to reconcile adjusted income (loss) from operations			
Pre-tax (income) attributable to noncontrolling interests	—	(5)	
Net realized investment (gains) losses	(6)	19	
Special items	1	52	
Pre-tax adjusted loss from operations	<u>\$ (399)</u>	<u>\$ (114)</u>	<u>(250) %</u>

(1) Effective January 1, 2023, The Cigna Group adopted ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts, and related amendments. Prior year results have been restated to reflect the adoption of the new accounting guidance. The cumulative effects of adopting the new standard were immaterial. Please refer to the Basis of Presentation section for additional details.

(2) Includes amounts for elimination of intercompany revenues and expenses.

The Cigna Group
Condensed Consolidated Statements of Cash Flows (unaudited)

(Dollars in millions)

	Three Months Ended March 31,	
	2023	2022 ⁽¹⁾
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,306	\$ 1,212
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	749	717
Realized investment losses, net	56	322
Deferred income tax benefit	(108)	(134)
Net changes in assets and liabilities, net of non-operating effects:		
Accounts receivable, net	(479)	(983)
Inventories	566	222
Reinsurance recoverable and other assets	72	584
Insurance liabilities	1,533	142
Pharmacy and other service costs payable	539	(74)
Accounts payable and accrued expenses and other liabilities	690	85
Other, net	104	(63)
Net cash provided by operating activities	5,028	2,030
Net cash used in investing activities ⁽²⁾	(2,983)	(324)
Net cash used in financing activities ⁽³⁾	(37)	(2,171)
Effect of foreign currency rate changes on cash, cash equivalents and restricted cash	5	(23)
Net increase (decrease) in cash, cash equivalents and restricted cash	2,013	(488)
Cash, cash equivalents and restricted cash January 1, ⁽⁴⁾	5,976	5,548
Cash, cash equivalents and restricted cash March 31,	\$ 7,989	\$ 5,060
Cash and cash equivalents reclassified to Assets of businesses held for sale	—	(591)
Cash, cash equivalents and restricted cash March 31, per Consolidated Balance Sheets ⁽⁵⁾	\$ 7,989	\$ 4,469

(1) Effective January 1, 2023, The Cigna Group adopted ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts, and related amendments. Prior year results have been restated to reflect the adoption of the new accounting guidance. The cumulative effects of adopting the new standard were immaterial. Please refer to the Basis of Presentation section for additional details.

(2) Includes \$2.5 billion of investment in VillageMD for the three months ended March 31, 2023.

(3) Includes \$1.5 billion for the issuance of long term debt partially offset by \$1.0 billion for stock repurchases for the three months ended March 31, 2023.

(4) Includes restricted cash of \$19 million reported in Other Assets and \$23 million reported in Long-term investments, and cash and cash equivalents of \$425 million reported in Assets of businesses held for sale as of January 1, 2022.

(5) Includes restricted cash of \$54 million reported in Long-term investments as of March 31, 2023.