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# EDITED TRANSCRIPT

CI.N - Q3 2024 Cigna Group Earnings Call

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**OVERVIEW:**

Company Summary

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**Eric Palmer** *The Cigna Group - Executive Vice President - Enterprise Strategy, President and Chief Executive Officer, Evernorth Health Services*

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**Justin Lake** *Wolfe Research, LLC - Analyst*

**Ryan Langston** *TD Cowen - Analyst*

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## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by for The Cigna Group's Third Quarter 2024 Results Review. (Operator Instructions) As a reminder, ladies and gentlemen, this conference, including the Q&A session is being recorded.

We will begin by turning the conference over to Ralph Giacobbe. Please go ahead.

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### Ralph Giacobbe - *The Cigna Group - Investor Relations*

Thanks, operator. Good morning, everyone. Thank you for joining today's call. I'm Ralph Giacobbe, Senior Vice President of Investor Relations. With me on the line this morning are David Cordani, The Cigna Group's Chairman and Chief Executive Officer; Brian Evanko, Chief Financial Officer of The Cigna Group and President and Chief Executive Officer of Cigna Healthcare; and Eric Palmer, President and Chief Executive Officer of Evernorth Health Services.

In our remarks today, David and Brian will cover a number of topics, including our third quarter financial results and our financial outlook for 2024. Following their prepared remarks, David, Brian, and Eric will be available for Q&A.

As noted in our earnings release, when describing our financial results, we use certain financial measures, including adjusted income from operations and adjusted revenues, which are not determined in accordance with accounting principles generally accepted in the United States, otherwise known as GAAP.

A reconciliation of these measures to the most directly comparable GAAP measures, shareholders net income and total revenues, respectively, is contained in today's earnings release, which is posted in the Investor Relations section of [thecignagroup.com](https://www.thecignagroup.com). We use the term labeled adjusted income from operations and adjusted earnings per share on the same basis as our principal measures of financial performance.

In our remarks today, we will be making some forward-looking statements, including statements regarding our outlook for 2024 and future performance. These statements are subject to risks and uncertainties that could cause actual results to differ materially from our current expectations. A description of these risks and uncertainties is contained in the cautionary note to today's earnings release and in our most recent reports filed with the SEC.

Before turning the call over, I will cover a couple of items pertaining to our GAAP financial results. In the third quarter, we recorded shareholders' net income of \$739 million or \$2.63 per share. This is driven by a noncash, after-tax net realized investment loss of \$1 billion or \$3.69 per share related to VillageMD. This includes both the write-down of the remaining carrying value of the asset as well as the impairment of the dividend, which is recognized as a special item in the quarter. This is excluded from adjusted income from operations and adjusted earnings per share in our discussion of financial results.

In the third quarter, we also recorded other after-tax net special item charges of \$162 million or \$0.58 per share. Details of the special items are included in our quarterly financial supplement. Additionally, please note that when we make prospective comments regarding financial performance, including our full year 2024 outlook, we'll do so on a basis that includes the potential impact of future share repurchases and anticipated 2024 dividends.

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

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

Thanks, Ralph. Good morning, everyone, and thank you for joining today's call. Today, I'll spend a few minutes talking about our strong results in the third quarter and how we're advancing our growth strategy. I'll also provide some initial perspective relative to 2025, including some of the expected tailwinds and headwinds. Then Brian will share more details about our results and our outlook for the rest of the year and then we'll take your questions. So let's get started.

Building on a track record of competitively differentiated performance, I'm pleased to report that in the third quarter, The Cigna Group delivered total revenue of \$63.7 billion and adjusted earnings per share of \$7.51. Our results are a testament to the collective depth and strength of our people and the commitment, hard work, and focus they bring to everything we do.

We have deep continuity and the most experienced leadership team in the industry with more than 16 years average tenure across our growth platforms. And we continue to infuse new talent into the company from across many sectors and industries to round out our enterprise perspective.

Our third quarter performance demonstrates how we harness the complementary capabilities of our two growth platforms, Evernorth Health Services and Cigna Healthcare, to drive attractive growth.

This quarter, Evernorth anchored our results by delivering strong top and bottom line contributions generated by market-leading innovation and affordability initiatives, particularly within our Specialty and Care Services portfolio as well as our Pharmacy Benefit Services business. Evernorth's strong overall growth reflects the continued demand for our services as we continue investing in broadening our offerings and expanding our reach.

Cigna Healthcare was also continuing their momentum in the quarter. US Employer business draws on enterprise capabilities to deliver greater affordability and support healthy outcomes for the benefit of our clients, and their employees and families. Of note, we are driving continued solid growth in our Select customer segment. Our results demonstrate focused execution and momentum during our peak selling season and continued opportunity for growth in the years ahead.

Touching on our Medicare Advantage business, we remain on track to close on our sale of our Medicare business to HCSC in the first quarter of 2025. We continue to expect to use the majority of the proceeds for share repurchase. I would note that our Medicare business is performing in line with expectations, and we're pleased with the overall value of our offerings, including our nationwide enrollment weighted average which will again be 4 stars for 2025.

Going forward, our focus will be on further growing our Evernorth chassis to continue to serve Medicare lives. Overall, our quarterly results reflect clear strategy and strong execution, resulting in attractive results.

Now stepping back, I want to take a moment to comment on recent headlines and speculation around our company. And while we don't comment on media rumors, we believe that it is important to provide additional context during these unprecedented times.

First, there is no question that the industry is highly disrupted. For example, the Medicare Advantage market is particularly challenged given a number of factors, including elevated medical cost, a significant change in stars ratings for many, and the reset of the risk-adjusted revenue streams. These and other forces are contributing to operational disruption for some as well.

As I noted, we don't comment on rumors, but what I will do is be very clear on the actions we are pursuing. We continue to deploy our excess free cash flow for share repurchase, with repurchases totaling \$5.7 billion year-to-date, including over \$715 million in October. Looking forward, we expect to continue to actively repurchase our shares in the fourth quarter, further leveraging our remaining repurchase capacity, which stands at \$5.6 billion.

Now I want to transition and cover several actions we are driving in the third quarter and throughout 2024 that address the forces of change that are reshaping the face of health care. While we continue to position our company for growth for the benefit of our clients, our customers and our patients. The first is the pace and rate of pharmacological innovation and it continues to surge. Many of the treatments coming to market are meaningful in extending and improving quality of lives, for example, through new gene therapies and breakthrough treatments, but they are pressuring affordability given the high list price from manufacturers.

Evernorth's Specialty Pharmacy business, Accredo, is continuing its strong growth trajectory, given both the secular tailwinds and our differentiated strengths, which make us the market leader in the space. The opportunity in biosimilars is a good example of how we are leading the way and providing more value.

At the end of June, we began dispensing our interchangeable biosimilar for HUMIRA. And we're pleased that biosimilar penetration was approximately one-third among eligible Accredo patients in the quarter. Building on that success, several weeks ago we announced that we will begin offering an interchangeable to STELARA biosimilar in 2025.

Like HUMIRA biosimilar, it will be available for a \$0 out-of-pocket for eligible Accredo patients, which drives savings for individuals as well as clients. Another example of our leadership is the GLP-1 drug class, which is on pace to be the number one drug trend driver for plans this year, and they are expensive with manufacturers list price of approximately \$15,000 a year

In Express Scripts, our Pharmacy Benefit Service business, the EncircleRx solution provides a clinical program wrapper around the medication to help to support sustainable and positive lifestyle changes for patients as well as improve affordability and access for clients.

I'm pleased to share that in the quarter, EncircleRx has already grown to almost 8 million lives now enrolled. The pace of change in the pharmacological industry is also why we continue to proactively address misconceptions and misinformation around the pharmacy benefits industry. This is vital to ensure that patients and individuals continue to maintain access to affordable high-quality prescriptions.

Earlier this month, Dr. Dennis Carlton, Professor of Economics Emeritus from the University of Chicago and former DOJ economist, released a comprehensive review of the PBM industry. Dr. Carlton's research was conducted over 16 months and drew from multiple sources, including analysis of approximately 20 billion 30-day equivalent prescriptions.

The finding of Dr. Carlton's research, in direct contradiction to the FTC's report, concludes that PBM's lower high drug prices by fostering competition among rival drug manufacturers and pharmacies. PBMs facilitate broader access to generic medications in addition to name brand alternatives with lower costs.

And importantly, PBMs support independent pharmacies with higher reimbursement rates than chains, and the number of independent pharmacies is increasing. We will leverage Dr. Carlton's study as we continue to engage in fact-based discussions about these critical issues.

Moving to the second rapidly changing trend, the increased need for quality behavioral services, which is in part driven by geopolitical, economic, and social dynamic tensions that are unfolding around the globe. For context, in the past five years, we've seen overall behavioral therapy utilization nearly doubled.

Now in the same period, we worked to increase services and access, for example, adding almost 270,000 providers to our network, assessing the needs of those with lower complexity issues and offering new coaching programs, and implementing online scheduling and access with appointments guaranteed within 72 hours, which millions of Cigna Healthcare customers can now pursue.

This is another example of how our businesses have complementary capabilities as we leverage behavioral health innovations and services from Evernorth and embed them into Cigna Healthcare solutions.

The final trend I will touch on is technology-enabled innovations. We're only beginning to see the start of profound changes as emerging technologies such as AI powered diagnostics and treatments will drive vast improvements, including more personalized care. Another example is the ongoing adoption of virtual services, which is rapidly rising with about 25% of patients accessing care through telehealth services last year in the US. This far exceeds the 5% or fewer who accessed care this way before the pandemic.

We continue to advance in this area with our telehealth platform, MDLIVE. We have offered MDLIVE for our customers since its acquisition in 2021. And last month, we took another step forward with patients that have lower health risk issues, enabling them to get fast flexible care without a phone call or a video call, whenever and wherever they want with MDLIVE physicians via an online portal. The patients typically are able to receive treatment within one hour. At The Cigna Group, we are built to create and capture value from these forces of change for the benefit of those we serve.

Next, I'll transition to provide some context relative to the tailwinds and headwinds we anticipate for 2025. Now we'll provide detailed guidance as we always do during our fourth quarter call. With the strength of our Evernorth and Cigna Healthcare platforms, we expect to both finish 2024 strong and for 2025 to have another year of competitively attractive performance.

Some notable tailwinds include our continued ramp-up of biosimilar offerings, continued advancement of new client relationships, and EPS accretion from the divestiture of our Medicare businesses, specifically the impact of share repurchase from the sales proceeds.

Now turning to headwinds. We expect lower net investment income as we will no longer recognize the dividend from our VillageMD investment. We anticipate stranded overhead from the sale of our Medicare Advantage business, which we will mitigate over time. And we will make continued strategic investments across our portfolio to drive sustained innovation and position ourselves for long-term growth.

Considering all the puts and takes, we expect another strong year of growth in 2025 with EPS growth of at least 10%, which is consistent with our historical approach where we start the year with appropriate prudence.

Now I'll briefly summarize our performance for the quarter. Building on our momentum, our focus and disciplined third quarter execution positions us to meet our full year 2024 and long-term growth targets. The Cigna Group has earned a reputation for delivering differentiated value for those we serve and driving new innovation in ways that lead the industry.

Our ability to consistently do this, year after year is directly attributable to the strength of our leadership team and the passion and commitment of our 70,000 colleagues worldwide. And the deliberate structure of our company, which is designed with growth platforms capable of navigating even the most dynamic environments.

As a result in the third quarter, we delivered on our financial commitments with adjusted EPS of \$7.51 and we remain on track to deliver full year adjusted earnings per share of at least \$28.40 in 2024. Our company has attractive and sustainable growth opportunities over the long term, and we remain confident in delivering our continued average annual EPS growth rate of 10% to 14% on average, building on our track record of achieving 13% adjusted EPS on a compounded growth rate over the past decade.

With that, I'll turn it over to Brian to share additional perspective on our performance for the quarter and our outlook for the rest of the year.

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**Brian Evanko** - *The Cigna Group - Chief Financial Officer, Executive Vice President, President and Chief Executive Office - Cigna Healthcare*

Thank you, David. Good morning, everyone. Today, I'll review Cigna's third quarter 2024 results and discuss our outlook for the full year. During a year where the environment has been highly disrupted and dynamic, we're pleased with another quarter of strong results, highlighting our consistent execution and delivering against our prior commitments.

Key consolidated financial highlights for the third quarter include revenue of \$63.7 billion and adjusted earnings per share of \$7.51. These results, combined with our breadth of capabilities and diverse portfolio of businesses reinforce our confidence in our full year 2024 adjusted earnings per share outlook of at least \$28.40, representing more than 13% year-over-year growth.

Now turning to our segment results, I'll first comment on Evernorth. Evernorth continues to deliver strong results, driven by consistent execution across our businesses, with particularly significant growth within our Specialty and Care Services business in the third quarter. Total Evernorth revenues for third quarter 2024 grew to \$52.5 billion and pretax adjusted earnings grew 9% to \$1.9 billion, slightly ahead of expectations. This growth came despite a \$33 million headwind to net investment income related to the absence of the VillageMD dividend.

Our strong Evernorth results reflect our continued execution amidst the ongoing long-term trend of pharmacological innovation. With rising clinical needs, the introduction of new therapies to the market and more availability of biosimilars, Evernorth is well positioned to assist patients and clients in navigating these trends.

Moving to our businesses within Evernorth, Specialty and Care Services revenue of \$23.8 billion and adjusted earnings of \$825 million, both grew 23% in the quarter, a significant acceleration in year-over-year growth when compared to the first half of 2024. While we had expected strong contributions in the quarter, this performance was above expectations, reflecting growth across our specialty businesses driven by more rapid uptake of specialty medications.

Additionally, the quarter also benefited from increased adoption of HUMIRA biosimilars. The increased adoption benefits both patients through lower out-of-pocket costs as well as clients through lower net costs. And in the quarter, we saw approximately one-third of eligible HUMIRA scripts transition to biosimilars.

As we have highlighted, we are the leader in the specialty market, and we are confident in delivering long-term profitable growth given the pipeline of new drug innovation and our decades of experience in the space. As we've established a differentiated business model with proven superior clinical outcomes for complex high-cost conditions.

Pharmacy Benefit Services also posted robust revenue growth driven by the addition of new business wins, expansion of existing relationships, and continued demand for new drugs through our innovative products and solutions. Pretax adjusted earnings increased to \$1 billion, as our differentiated capabilities continue to drive affordability and value to our patients, customers and clients.

Overall, Evernorth delivered results slightly above expectations even while absorbing the aforementioned net investment income headwind, and we continue to expect accelerating growth in the fourth quarter.

Regarding Cigna Healthcare, third quarter 2024 revenues were \$13.3 billion. Pretax adjusted earnings were \$1.2 billion, and the medical care ratio was 82.8%. The medical care ratio was in line with expectations. As we have discussed, we planned and priced for elevated trend coming into the year.

During the quarter, we did observe elevated trends in specialty medications in our Cigna Healthcare book. This is consistent with the higher volumes we saw in our Specialty and Care business within Evernorth, and speaks to the balance of our well-diversified portfolio, which we intentionally created to position our company for some of the highest growth secular tailwinds in health care. Overall, Cigna Healthcare delivered solid results this quarter, demonstrating consistent steady execution in a dynamic environment.

Now turning to our outlook for full year 2024. Given the strength and diversity of our portfolio, we have the confidence to reaffirm our full year 2024 expectation for consolidated adjusted earnings per share of at least \$28.40.

Moving to our 2024 outlook for each of our growth platforms. In Evernorth, we continue to expect full year 2024 pretax adjusted earnings of at least \$7 billion. This reflects a continued acceleration of earnings in the fourth quarter, driven by strength in specialty volumes and increasing adoption of HUMIRA biosimilars as well as the continued advancement of new client relationships. This is partially offset by lower expected net investment income.

For Cigna Healthcare, we continue to expect full year 2024 pretax adjusted earnings of at least \$4.775 billion. And we are maintaining our full year medical care ratio outlook of 81.7% to 82.5% although we now expect to be toward the high end of the range due to the aforementioned increase in specialty medication utilization, which we expect to continue through the fourth quarter. We expect the impact of the higher fourth quarter MCR to be offset by other levers within Cigna Healthcare, such as operating efficiency.

Turning to our 2024 capital management position. We remain confident in our strong balance sheet and cash flow generation due to our efficient asset-light strategy that delivers attractive returns on capital. I would note that timing-related items impacted third quarter cash flow from operations. We are anticipating a meaningful step up in cash flow in the fourth quarter, and our capital deployment priorities remain consistent with our long-term framework.

Regarding share repurchase, year-to-date through October 30, 2024, we have repurchased approximately 16.9 million shares of our common stock for approximately \$5.7 billion, including a repurchase of \$715 million in the month of October alone. We continue to expect additional share repurchase in the fourth quarter, demonstrating our confidence in the strength and sustainable growth of our business.

Now to recap. Strong results through the first three quarters of the year give us confidence to deliver on our full year 2024 adjusted earnings per share outlook of at least \$28.40, representing over 13% year-over-year growth toward the higher end of our long-term average adjusted EPS growth target range.

As David mentioned, we look forward to providing our 2025 outlook on our fourth quarter earnings call. We are confident in delivering another year of competitively differentiated EPS growth of at least 10%, consistent with our historical approach where we start the year with appropriate prudence.

The ability to consistently meet our financial commitments is a testament to our team, executing to drive value for our clients and customers and our portfolio of complementary businesses that we've strategically positioned for strong stable and sustainable long-term growth.

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

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

A.J. Rice, UBS.

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### A.J. Rice - UBS Investment - Analyst

Thanks. Hi, everybody. Maybe I'll just ask about two things here. One, you obviously had a little bit of elevated commercial trend this year, but you said all year long that you were able to price for it and anticipate it. I wonder at this early date, as you look out to '25, are you assuming more of the same? Are you getting any pushback from employers on taking that approach if you are, again?

And then on the VillageMD, I know you laid out a strategy for working with them is one of the ways that Evernorth could address the primary care market. Obviously, that situation is in flux. I wonder if there's any pivots the company is considering and how important putting something in place with respect to physician groups, particularly primary care it is for the overall Evernorth strategy.

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

Good morning AJ, it's David. Let me ask Brian to take your first question relative to trend '24 and '25, and then I'll provide a little color on Village and specifically our value-based care strategy and where we go from here. Brian?

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### Brian Evanko - The Cigna Group - Chief Financial Officer, Executive Vice President, President and Chief Executive Office - Cigna Healthcare

Good morning, AJ So first off, we're very pleased with the strength of our US Employer business within Cigna Healthcare. That business continues to perform well for us. And as a reminder, our US Employer book is nearly 85% ASO or self-funded, which includes earning levers that go well beyond the pure risk-based MCR. That said, our US Employer book is currently operating from a position of strength as we've been performing within our target margin ranges here in 2024.

As it relates to the external market, to your point on employers, we characterize the environment as competitive but rational, and we remain disciplined with our own pricing strategy in this environment. As it relates to 2025, we do expect cost trends to remain elevated above historical levels, and we're pricing for 2025 rate increases that are greater than what we achieved in 2024. Given that continued elevated cost trend expectation, the firm competitive environment as well as our desire to preserve our margin levels.

So David, I'll turn it over to you to talk about the Village piece.

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

Sure. AJ, so relative to Village, you brought a part of your question talks about the strategy. So stepping back first and foremost. VBC, value-based care from our point of view is how do we align incentives, leverage information and then leverage clinical resources and extenders to deliver improved overall quality and ultimately value. Within our Cigna Healthcare platform, that's done day in, day out for collaborative accountable care relationships, and those relationships continue to evolve. Those are partnered relationships, leveraged relationships that we drive forward. Increasingly, some of Evernorth's capabilities are in support of that.

Second, specific to the VillageMD relationship, we sought to accelerate that through our Evernorth Accountable Care relationship for lives and patients outside of those that were within our program in chassis on the benefit side of the equation. And in hindsight, the timing of that, given



the disruption to the marketplace, including the risk adjuster disruption and some of the cash flow disruption from some of the underlying investors proved to be poorly timed.

Moving forward from an Evernorth standpoint, the Evernorth Accountable Care relationships will continue to probe and identify where and how we can expand relationships I would note that we do continue to make very good progress on deepening relationships with health care professionals out of Evernorth, specifically off of our CuraScript capabilities that continues to grow meaningfully, but we will continue to take a paced path with the Evernorth Accountable Care relationships currently, given the disruption, again, meaningfully caused by the change in the risk adjuster environment.

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**A.J. Rice** - *UBS Investment - Analyst*

Thanks.

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**Operator**

Justin Lake, Wolfe Research.

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**Justin Lake** - *Wolfe Research, LLC - Analyst*

Thanks, good morning. First, I want to follow up on, David, your comments around capital deployment and some of the rumors out there in the market. Just to be clear, you talked a lot about the share repurchase in 2024, which has been significant. The fourth quarter, the proceeds. The last time we had this discussion, you also talked about a forward year and where you kind of saw the predominance of capital going as well. Are you also saying -- or did I miss that you were going to talk about that you are going to deploy capital to share repurchase for the vast majority of the share repurchase in 2025 as well?

And then just on the business, can you give us some more color on what's going on in specialty? There have been a few companies talking about that. What do you think is driving that? And any other specifics you can give us, we'd appreciate. Thanks.

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

Justin. Good morning, it's David. Let me take your first question, and then I'll ask Eric to give you, I think your broader second question is relative to what's transpired in the specialty space. So first, to the specific part of your question, you didn't miss anything I communicated. We've not provided detailed guidance for 2025. We'll provide more comprehensive guidance as we always do on our fourth quarter call and we look forward to doing so.

Second, stepping back, as I noted in my prepared remarks, given the disruption in the space, we wanted to ensure that we had as much information out there and the clarity to put forth.

I'd ask maybe to step back and reflect for a moment. If you think about to the core of your question, what we've done, our actions that both Brian and I reinforced meaningful share repurchase in 2024, which has been on a repurchasing through the month of October and expect it to continue to repurchase in the fourth quarter.

If you reflect back on the last four years, we've repurchased about \$24 billion of our stock, right? That was strategically guided as we were harnessing the benefit of the combination. We did have some divestitures within the context of that and as we leverage the broad cash flow generation of our asset-light portfolio and capabilities.

So I would ask you to stay tuned for more comprehensive 2025 guidance but reflect on our disciplined track record of being a good steward of capital and demonstrating the ability to create real sustained shareholder value in the way we deploy capital. Eric, I'll ask you to talk about the specialty space.

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**Eric Palmer** - *The Cigna Group - Executive Vice President - Enterprise Strategy, President and Chief Executive Officer, Evernorth Health Services*

Great. Thanks, David. Good morning, Justin, it's Eric. As we framed at our Investor Day earlier this year, the specialty market is a \$400 billion market and growing. And we're leaders in this space, driven by our focused condition-specific model, our clinical expertise and our overall geographic reach. And this positions us well to be helpful to our clients across the board, whether it's health plans, employers, health systems, and the like.

Now specific to this quarter, this was the first full quarter where we dispensed our biosimilar HUMIRA. And additionally, we had some expansion with existing clients choosing to move more business to Accredo. And we had broad-based volume strength as well. And I'd call out therapies for inflammatory conditions, for oncology and neurology as areas with particularly strong growth in the quarter.

Now, with respect to the 23% growth in the quarter, we've noted in the past that the results in any given quarter is going to depend on the timing of new volumes, new customers, new therapies being available and so on. But over time, we expect this market to be a meaningful part of the growth of our enterprise. We've talked about our Specialty and Care Solutions space growing at 8% to 12% on a sustained annual basis. And all of these factors are built into our assessment there.

So we continue to be well positioned in this market and quite excited about the opportunities to serve the market to grow and to serve our patients.

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**Operator**

Ryan Langston, TD Cowen.

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**Ryan Langston** - *TD Cowen - Analyst*

Hi, thank you. I think in the prepared remarks, you said you had 8 million lives now on the EncircleRx program. My understanding is that was only -- I say only about 3 million to 5 million only just a couple of months ago. That seems like incredibly strong growth and demand. I guess, what's driving that? And I guess, where do we see that pick up moving over the next couple of years, just given it seems in the past couple of months, that's risen pretty dramatically? Thanks.

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**Eric Palmer** - *The Cigna Group - Executive Vice President - Enterprise Strategy, President and Chief Executive Officer, Evernorth Health Services*

Ryan, it's Eric. Thanks for the question. As you can imagine, there's real interest and need from our clients as they're looking for help with managing the affordability of GLP-1s and these conditions overall. We're really excited about the opportunity to bring this first of its kind solution to the market. And as David noted, I think you said we're almost at 8 million lives. So not quite there yet but approaching it rapidly.

We launched this program just a handful of months ago. And as we've talked about previously, it targets the right patient population, working to bring the relevant clinical markers and engage patients with the support they need to help make changes that make the impact last, provides a guaranteed clinical comes to our clients and provides a strong overall return for the investment in the program.

Performance so far is that the solution is working well. The early results, our clients are enrolled. They're seeing significant savings and reductions in trends compared to those who are not enrolled as we mature the process or mature the data, we'll have more to report here.

David, maybe any other perspective you want to share?

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

Sure. Thanks. I'll just amplify 2 points. As we all spend a significant amount of time in the market, we're a field-based organization. This is typically a top 1, 2 or 3 topic with clients, with brokers, with consultants and with others in the market. So as we noted, GLP-1s remain front and center.

The specific piece I would add, though, is as the market continues to absorb the challenges of affordability, the market also is observing and clients are observing and physicians are observing the start and stop dynamic that is transpiring for some patients, which also doesn't generate the desired or intended outcome if a patient starts on a regimen and stops in eight months and then maybe starts up and then maybe stops as well.

So folks are really -- the value proposition really resonates relative to the clinical wrappers, the care wrappers, the coaching wrappers, the behavioral support wrappers that exist in the value-based care nature of the underlying program. So I appreciate you calling out the growth because it is significant and it underscores the need for innovation that we lead as these new treatments come to market.

**Ryan Langston** - *TD Cowen - Analyst*

All right, thank you.

**Operator**

Lisa Gill, JPMorgan.

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

Thanks very much. Good morning. Can you maybe talk about the 2025 selling season on the PBM side? I'm just really curious around a few things. One, as we have more biosimilars, are we seeing a change in the economics of how contracts are formulated going into 2025? And then just as a follow-up, David, you highlighted the FTC report and the report that the University of Chicago professors looked at. Is there any update on potential legislation or anything you're seeing from a state perspective that potentially is using some of this information when they're thinking about legislation?

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

Lisa, it's David. Let me ask Eric to start with the Evernorth selling season, including the PBM dynamic and what's transpiring and then I'll address your FTC question.

**Eric Palmer** - *The Cigna Group - Executive Vice President - Enterprise Strategy, President and Chief Executive Officer, Evernorth Health Services*

Thanks, David. Lisa, fundamentally, we start with a portfolio that's equipped to offer choice and flexibility in how we work to support our clients. We work to make the pharmacy benefit accessible for the patient and more affordable, and we continue to innovate to bring new ways to the market to do that. And stepping back, Evernorth is well positioned to continue to grow. The strength of those innovations and our solutions continue to resonate. And just as we talked about the growth of EncircleRx, we continue to have growth in our various innovative programs.

Now specifically with respect to the Pharmacy Benefit Services business for 2025, we had a good 2025 selling season, and our retention rate continues to be consistent with recent years in the mid- to high 90s percent range. We're driving meaningful innovations, whether it's EncircleRx, our oncology benefit services are just recent examples. And we're positioned for another good year in 2025.

As far as change, again, I'd say there's good interest in discussing what services, what financing arrangements are going to best align with our clients' needs, but I wouldn't call out any wholesale or substantial change in terms of what our customers and clients are actually purchasing from us. David?

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

This is relative to the FTC, I think the end of your question really pointed toward legislation, but let me just pull back for a moment. First and foremost, and you know the space extremely well, right? PBM and the Pharmacy Benefit Service industry exists to create real, sustained differentiated value through improved affordability, through expanding access to services that are more affordable like generics, through patient coordination and clinical coordination programs, which are especially critical for the chronic and polychronic population.

And as a validation of the value we deliver, our client retention levels reinforce that with historic client retention levels in the 95%-plus range. And as we look to the year ahead in 2025, it being even at the higher end of that range.

And secondly, as we've talked about, whether it's through EncircleRx, through the biosimilars, our ability to continue to lead the market with innovations that deliver more value especially with new treatments coming to market is mission-critical. Specific to the FTC report, let me be really clear. We disagree on the unfounded assertions that were put forth.

Second, the clear direction that was put forth by Dr. Carlton's report is in direct contrast to that. And going forward, we will engage in fact-based conversations. As it relates specifically to legislation, we do not see any specific fully mature proposed legislation right now that looks like it will be put forward. Obviously, there's a bit more time left in the year. There's no doubt relative to that. We remain actively engaged.

I was in Washington on Monday of this week on a variety of topics. We remain actively engaged. But I think most importantly, at capping it off, we're confident in the durability of our model, our proven ability to partner, our proven ability to drive ongoing innovation to make sure we are able to continue to grow and deliver the value, both in the Pharmacy Benefit Service space as well as in the specialty space.

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

Great. Thanks for the comments, David.

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**Operator**

Andrew Mok, Barclays.

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**Andrew Mok** - *Barclays - Analyst*

Hi, good morning. You called out planned investments across both core PBM and specialty in the release, and it sounds like that will continue into 2025. Can you give us a little bit more detail on the nature and magnitude of those investments? Thanks.

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**Brian Evanko** - *The Cigna Group - Chief Financial Officer, Executive Vice President, President and Chief Executive Office - Cigna Healthcare*

Good morning, Andrew, it's Brian. So as we intend to do in any year, we have a fair amount of our discretionary capital that goes back into internal reinvestments. So when we talk about the continued investment in the business, not just in the Evernorth platform, but also in Cigna Healthcare, that's a core part of our capital deployment framework before we start talking about capital being returned to shareholders.

So this year, we're tracking to, call it, \$1.5 billion or so of discretionary CapEx, and that's kind of over and above the core administrative expenses, which are round numbers about \$20 billion that we spend in the year. So most of that will go toward technology going forward, so that some of

that customer patient-facing technology. Some of that is provider-facing technology, and some of that is a broker or field-facing technology as well.

So the majority of when you think about our discretionary CapEx is headed in that direction. And as we think about the long-term growth opportunity we have, for example, in the specialty space, which is already a \$400 billion addressable market growing at the high single-digit type rate. We see opportunities to continue strengthening our capabilities there to make ourselves even more relevant. So think of it as primarily technology, and we gear that up or down in any given year.

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**Operator**

Erin Wright, Morgan Stanley.

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**Erin Wright** - *Morgan Stanley - Analyst*

Great. Thanks so much. I wanted to dig into specialty a bit more. It just sounds like you're seeing the traction with the HUMIRA biosimilar strategy. Just how would you compare that to the strategy around products like STELARA and the ramp you expect with STELARA relative to what you saw with HUMIRA and other biosimilars that are coming down the pipe? I guess, how do you think about the cadence of that opportunity over the next several years but also just in terms of 2025 from an LOE perspective. Thanks.

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**Eric Palmer** - *The Cigna Group - Executive Vice President - Enterprise Strategy, President and Chief Executive Officer, Evernorth Health Services*

Erin, it's Eric. I appreciate the question. Stepping back, I think the model that we've built here and that we've deployed around our biosimilar HUMIRA has provided another good choice in the market, and it's one that we think we're well positioned to replicate in the appropriate situations going forward. As David mentioned in his prepared remarks, we will be launching a no out-of-pocket cost alternative to STELARA in 2025. And I could envision us using this playbook and approach for additional biosimilars as we look ahead into the coming years.

We've noted at our Investor Day earlier this year that we see nearly half of the specialty market having biosimilar alternatives choice available in terms of bringing new affordability to the market. And this is one example of a strategy that will help to improve the affordability and the accessibility of these medicines for the patients that need them and for the plan sponsors that are funding them.

So every different therapy will have a different alternatives, they will have different kind of adoption of paths based off of the clinical needs of the patients being served based off of the break and pace of availability of products and such.

But at a macro level, we're really well positioned to continue to lead in this market and bring new solutions to market just like we did with the biosimilar HUMIRA, like we are in the process of doing with STELARA and like we'll do with other drugs coming after that. David?

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

Erin, just one point I want to add to Eric's comment relative to the specialty market specifically, and maybe it's a statement of the obvious, but when we operate in an environment of elevated medical cost pressure which the industry is seeing in a broader sense, you could also think about the high-performing nature in this case, of our specialty capabilities, both through Accredo as well as through CuraScript, in some ways, provides us a natural or structured hedge against the medical cost pressure that is natural to manifest itself on the benefit side of the equation.

So when we talk about the conscious way we've structured the corporation, we've structured it, obviously, with different addressable markets. We've structured it with an asset-light framework. But in this case, also highlighting the structure provides some natural hedge when inflationary pressure or utilization pressure manifests on one side, it also provides growth opportunity and value capture opportunities on the other side of our very diverse portfolio. So I just wanted to punctuate that.

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**Operator**

Scott Fidel, Stephens.

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**Scott Fidel - Stephens Inc. - Analyst**

Hi, thanks, good morning. Question if I could try to do a two-parter would be one, just on the cost trend side, maybe if you could just drill in a little bit, give us an update on the inpatient side as well in terms of what you've been seeing there relative to expectations recently.

And then I did want to get your perspective just on the competitive environment for the exchanges in 2025. It looks like from our analysis of the CMS landscape data for the federal exchange is that we do see a number of the major carriers with actually negative rates in their same-store plans for 2025. So it does seem like the competitive framework has intensified quite a bit. And so I'm certainly interested in your perspective right now on that market category as well. Thanks.

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**Brian Evanko - The Cigna Group - Chief Financial Officer, Executive Vice President, President and Chief Executive Office - Cigna Healthcare**

Good morning, Scott, it's Brian. I'll take both of your questions here. So first off, we're pleased to have delivered another solid quarter of MCR performance within Cigna Healthcare with the overall performance in line with expectations, as I noted earlier. And just as a reminder, we had planned and price for the overall elevated utilization levels that began in 2023 to continue throughout 2024.

And within the quarter specifically, we had a range of affordability initiatives that proved to be beneficial to the MCR, and it had some offset to the uptick I mentioned in specialty drug utilization in the quarter. And where we saw that most notably was we saw some deceleration in cost trends in surgical activity in particular. You asked about inpatient. Inpatient was broadly in line with our expectations in the quarter. So I wouldn't flag that as a particular hotspot or an area of favorability.

And as David said, we're fortunate to have the natural hedge at the enterprise level where the elevated customer demand for specialty drugs resulted in the favorable performance we saw in our Evernorth business, specifically within the Specialty and Care Services platform.

As it relates to the individual exchanges, so we continue to see this market as being an important subsegment of the US health care system for those who don't have access to employer or government-sponsored coverages. We've been a consistent player in this market over the past decade since the ACA went into effect.

And for us, 2024 has been a year focused on margin expansion in our individual exchange business. And that approach is playing out largely as we expected here with fewer customers in 2024, but carrying a higher profit margin profile compared to our 2023 experience. As it relates to 2025, specifically, as you noted, the weighted average rate increase for our customer base is in the low double digits, which based on the publicly available information is on the higher end of the competitive set.

That said, there's a considerable variation by geography when you dig into that. And for us, the exact margin profile and customer volumes will be a function of geographic mix and competitor behavior in each of those different geographies. But taken all together, we continue to invest in this business, see it as a growth engine for the company and over time, look forward to 10% to 15% annualized growth here.

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**Operator**

[Adam Ron], Bank of America

**Adam Ron** - *BofA Global Research - Analyst*

Hey, thanks for the question. I also wanted to dig into the specialty comments. But from the managed care side, you mentioned that it was the reason that you're increasing your MLR guidance. And I know that you still do currently own the Medicare Advantage company. That also has the Part D business. And so wondering if you could delineate like the pressure that you're seeing in specialty between the Medicare side and the commercial side. And on the Medicare side, if you think it's being driven by the IRA at all? Thanks.

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**Brian Evanko** - *The Cigna Group - Chief Financial Officer, Executive Vice President, President and Chief Executive Office - Cigna Healthcare*

Good morning Adam, it's Brian. I'll start. If my colleagues want to pile on, you're welcome to. So as it relates to what we saw in Cigna Healthcare on the specialty drug side, really, the uptick in the utilization was broad-based across most of our Accredo therapeutic resource centers in the third quarter. In particular, we saw it in inflammatory conditions, oncology and neurology.

And really this transpired across all the Cigna Healthcare product lines, Commercial Employer, Medicare and the individual exchanges. The Medicare volumes were slightly more elevated than Commercial, but not enough that we would flag it as having a different root cause, and we do not see the IRA is having driven a meaningful amount of the third quarter experience. And as I said earlier, I'm pleased to have the natural hedge with the Evernorth specialty business benefiting from those increased volumes in the quarter.

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

And Brian, the only thing I would add is, Adam, to your broader question, as noted in our opening comments, but by and large, the Medicare Advantage portfolio of our business is performing in line with our expectations as we build the plan out for the course of the year. So Brian's reference is on the margin in terms of the elevation there.

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**Operator**

George Hill, Deutsche Bank.

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**George Hill** - *Deutsche Securities Inc. - Analyst*

Yeah. Good morning guys. David, I kind of want to come back to the -- your comments on the Medicare Advantage market that you opened up the call with, which is in the past, you kind of said that MA is a strategically important market with a lot of long-term value. And on this call, you're saying it's a challenged market. So first, I guess, number one is kind of can you help me bridge the gap between those two lines of thought?

And then as you look at the market from where you sit, given that you guys still participate, do you see its challenges as cyclical or structural?

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

Good morning, George. My comments relative to the marketplace are our view, a statement of fact, given the current environment, drawing back to your broader point of view, we see from a societal standpoint, MA as currently and in the future, an important part of the offering to the marketplace. So it would be very clear. Secondly, as we've discussed before, within our Evernorth portfolio today, fully approaching a third of all of our product programs and services face off against government-sponsored programs, very inclusive of MA and the supporting programs are on MA and we will continue to invest in and grow those programs, products and services.

What I was seeking to draw back to was, again, given the disruption in the marketplace and the headline that we were drawn into great clarity that the marketplace is disrupted and our actions and our behaviors are consistent with what we said they were going to be specifically using our discretionary free cash flow for share repurchase.

Looking forward, I would expect to see the MA marketplace find its footing again, albeit it's going to go through a choppy phase right now for the forces I talked about before, elevated medical costs, and significant reset to the stars. So if you look back, there was a time when the marketplace had almost 90% of all lives in 4-star plus plans that gets reset down to 60%-plus of lives. That's a large resetting for the marketplace. The risk adjuster part of the program coming through is also quite meaningful.

So I deem it to be transitional for the marketplace. The leaders in the marketplace will find a way to lead through this. And importantly, MA serves a very important value prop from a societal standpoint. On average, an MA life has lower income on average, an MA life is supportive of better clinical coordination, clinical efficacy and on average an MA life is getting better overall value and affordability. The space is just going through a choppy time right now, and that's what we're trying to call attention to.

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**George Hill** - *Deutsche Securities Inc. - Analyst*

I appreciate the color. Thank you.

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**Operator**

Josh Raskin, Nephron Research.

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**Josh Raskin** - *Nephron Research LLC - Analyst*

So I'll harp on those. I'll sort of keep on the topic here. But just in terms of the cadence of buybacks, I want to understand you guys were relatively strong in the first quarter, particularly strong in the second quarter. A noticeable pause in 3Q, and I heard David, your response to Justin's question around this disruption in the space and wanting to get as much clarity as possible.

Should we assume that you now have the clarity that you need to understand the Medicare Advantage business and that is what's leading to this reacceleration in the buybacks and into 2025? And then just a smaller one, just on favorable development, it was a little larger in 3Q. Could you talk were there any specific drivers of that or areas where development came in better?

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

Josh, it's David. Let me take your first question and then ask Brian to take the second part of your questions. No is the specific answer to your question, the call -- the cadence of our buybacks is driven by cash flow timing. So you'll note that our cash flow, and we've highlighted this in the past, doesn't happen ratably throughout the course of the year.

So early part of the year, we expected to have significant deployment of capital and toward the latter part of the year, we expect to have significant deployment of capital. So specific to your question, the timing and cadence of deployment of free cash flow is tied to the timing of the cash flow generation and the fourth quarter will be a high cash flow generation quarter for us. And we highlighted the fact that we are quite active in the marketplace, noting the share repurchase through the month of October thus far.

Brian, can I ask you to take the second part of the question?

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**Brian Evanko** - *The Cigna Group - Chief Financial Officer, Executive Vice President, President and Chief Executive Office - Cigna Healthcare*

Sure, David, good morning. So as it relates to the prior year development that we saw in the third quarter, it was a little bit higher than we typically would see in the third quarter. But important to keep in mind that, that's gross prior year development, which doesn't translate one for one to a net P&L impact, just given the variety of factors like client sharing, MLR rebate impacts and other items.



And in any given period, we tend to see a fluctuation as you can appreciate, in reserve development from year-to-year, quarter-to-quarter. And overall, the net P&L effect of prior period reserve development was not a significant driver of the Cigna Healthcare MCO or the Cigna Healthcare income in the third quarter. So I appreciate the questions.

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**Operator**

Lance Wilkes, Bernstein.

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**Lance Wilkes - Bernstein - Analyst**

Thanks so much. Just a couple of cleanup questions and one broad strategic question. On the strategic level, as you're looking at deployment of capital as you're thinking about inorganic moves, how do you look at things from a management and board level with respect to management stability, stability and volatility of a business model, et cetera? And are there other important criteria we should be aware of?

And the little items are just over in the employer market, given high premium inflation, are you seeing different behaviors from employers whether that's faster shift to ASO or certain types of cost containment features that they're looking for? Thanks.

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

Lance, good morning, it's David. Let me take your strategic question specific to M&A criteria and then ask Brian to take your follow-up. You painted as a cleanup. I find that interesting. But specific to your strategic question, if you step back and think about our M&A criteria, which is the core of your question, our criteria has not changed. And to remind you, first is strategic alignment. Then second is financial attractiveness. I'll come back to that in a moment. And then third is our need to see a clear path to close.

As it relates to financial attractiveness, we take into consideration EPS accretion. So the level of, the timing of, the visibility of, the durability of. We also look at capital efficiency, return on invested capital on a relative basis in terms of assessing it. So to the core of your question, if I heard you correctly, a more disruptive environment or a less stable asset would increase the beta. Increasing the beta requires a higher visibility to highly durable synergies, value capture and the durability of that.

So to the core of your question is, of course, we have to consider that because you're looking for strategic value creation and strategic value capture. And adjacency versus further adjacency and the more stable and predictable versus the more volatile has to be taken into consideration. And I'll end with, I believe we have a very clear, good track record of applying these criteria and creating shareholder value over a long period of time.

Brian, I'll transition to you?

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**Brian Evanko - The Cigna Group - Chief Financial Officer, Executive Vice President, President and Chief Executive Office - Cigna Healthcare**

Yes. Lance, on the second question in terms of how employers are reacting to a higher cost trend environment, a few things to highlight there from our US Employer portfolio. Affordability is generally the number one topic when we talk to employer clients. And historically, they look at benefit buy-downs, changes to deductibles and out-of-pocket maximums maybe premium contribution changes.

But the strategies are becoming more precise and more granular now. So as an example, we're seeing more and more interest in our specialty pharmacy capabilities, programs like the EncircleRx to help mitigate GLP-1 spending and ensure clinical appropriateness of all those programs. So we're seeing interest in more precise affordability programs.

We're also seeing a lot of interest in our mental health and substance of these capabilities. Since the pandemic started, this has been a higher cost trend category. And even this year, it's contributing about 1% to employer cost trends just in the year. So there's interest in what programs and

services we have available to address that as well as the link between mental and physical health, which has been shown, mental health utilization deflects physical health needs down the line.

And then finally, there's interest in more precise provider network configurations that help to optimize cost, quality incentive alignment. So things like our Pathwell Specialty offerings, things like our Pathway Bone & Joint program, so all those things are of increased interest to employers in a high trend environment. And taken all together, our Cigna Healthcare offerings are well positioned to address those themes.

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**Lance Wilkes** - *Bernstein - Analyst*

Great.

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**Operator**

[Michael Ha, Baird].

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**Michael Ha** - *Baird - Analyst*

Alright, thank you. Firstly, on '25 headwinds and tailwinds, thank you for providing that list in your prepared remarks. I was just wondering if you could maybe flesh that out a bit more specifically, which of those building blocks perhaps are you most confident about in terms of helping you on your path to 10% or at least 10% EPS growth next year?

And then following up on Erin's question, maybe a different approach to it. I know biosimilar quickly rose to a 20% share of your specialty book last quarter. Where has that trended in third quarter? Where do you see both HUMIRA biosimilar adoption, which I believe is now one third of eligible, and that biosimilar's share, especially by trending into year-end and over the next year.

And then as I think about Evernorth's earnings growth, I think you mentioned last quarter that biosimilars is going to help drive it to high single-digit growth in third quarter, which you did. So I wanted to get your thoughts on how are we now in a spot where it can sustainably grow high single digits going forward, are we officially now in that sort of new paradigm of earnings contribution Evernorth from biosimilars? Thank you.

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

Hi, good morning. Michael, it's David. You packed a lot in there for us to begin to bring our call to a close in short order, but important topics. So first, let me just frame a little bit of the headwind/tailwind framework and then ask Brian to peel it back, although it will give you a bit more specificity. And then we'll transition to Eric, who will talk about the trends in direction, et cetera. I don't think we're declaring a new normal as opposed to the growth trajectory we see relative to that business in the 8% to 12% compounded over time, which is above the secular trends.

But let me shift back to the headwind tailwind. As I noted in my prepared remarks, we'll provide much more detail in our fourth quarter call as we provide the 2025 outlook and guidance as we always do. Importantly, and we want to stress, this will come off of 2024, which is going to be another strong year and competitively differentiated year. And our outlook for 2025 will be a strong year and competitively differentiated year.

And we highlighted several of the headwinds and tailwinds as you put them all together, even at this point, we're confident to step forward and say that our growth algorithm will be intact for 2025, yet we would expect to guide at the lower end of our algorithm range with taking a posture prudence.

So Brian, could I ask you to give a little bit more color on some of the drivers within the headwinds and tailwinds and some dimensioning?

**Brian Evanko** - *The Cigna Group - Chief Financial Officer, Executive Vice President, President and Chief Executive Office - Cigna Healthcare*

Sure, David. Michael, I'll give you maybe a little bit more detail on the three tailwinds and three headwinds that David outlined earlier on the call. So in terms of the three tailwinds we see for 2025, continued biosimilar adoption is one. Obviously, that's been a theme throughout the morning here, and we do have a high degree of confidence in that being delivered in 2025.

Secondly, we expect advancements in our large PBS client relationships. Obviously, we had a very sizable new client in '24. We also have others that we've onboarded in recent years. And then the third tailwind is EPS accretion from the deployment of the Medicare sale proceeds.

And given we know the magnitude of this, we would expect this to be a low single-digit percent impact on 2025 EPS when you think about the deployment of those proceeds. That's offset by three primary headwinds that we see at this juncture. The first is the absence of the 2025 VillageMD dividend recognition. So as I made reference to earlier, that was \$33 million in the third quarter. You annualize that out. It's about \$130 million of a headwind for 2025 to the Evernorth segment income as well as, obviously, the enterprise.

Secondly, we'll have some stranded overhead from the Medicare divestiture, which is currently at about \$150 million for the year. And you can think of that as split roughly half and half between Cigna Healthcare and Evernorth. And obviously, our teams will work to whittle that down over time, but we see that as about \$150 million headwind for '25.

And then finally, continued investments for long-term growth, as I made reference to an earlier question, that will gear up or gear down depending on the market opportunities that we see as we balance short-term and long-term needs for the company. So Eric, you can pile on here on the biosimilars part of the question?

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**Eric Palmer** - *The Cigna Group - Executive Vice President - Enterprise Strategy, President and Chief Executive Officer, Evernorth Health Services*

Thanks, Brian, and thanks for the question, Michael. With respect to HUMIRA, a couple of notes I wanted just to be clear on, we began to spend in a biosimilar HUMIRA at the end of June. We noted in our second quarter call that throughout the month of July, had achieved about 20% -- or about 20% of our customers had elected to use the biosimilar HUMIRA.

And that's grown throughout the quarter. The number we provided today was that across the third quarter in its entirety now about 33% of the eligible patients had adopted. So really nice growth throughout the quarter. We would expect that to continue to grow over the balance of the year.

And to your more macro question, just I'll step back for a minute. We're well positioned to bring value to the benefit of our customers and clients overall. And as we've noted for several years now, we see and have worked to deliberately position ourselves to be lined up to capture the forces associated with pharmacological innovation and we've positioned our company to play a leading role in connecting patients with the medicines that they need there.

At our Investor Day back in March, we again increased the top end of our long-term growth range for Evernorth up to 5% to 8% growth, and that reflects all of these dynamics. And so that's the I think the fourth time we increased the growth trajectory of Evernorth since Evernorth was launched just a few years ago, and we're excited about the opportunity to continue to grow in this space are the same, the positive forces that we've just talked about and the ability to have a meaningful positive influence on affordability of health care and the patients that we serve overall. So we're excited about the opportunity and well positioned to play a leading role here.

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**Operator**

Thank you. I'd like to turn the call back to David Cordani for closing remarks.

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

I just want to briefly wrap up. Most importantly, thanks for your questions, your time and your engagement on our call today.

Just to highlight a few headlines. Cigna Group once again, given our business momentum and complementary growth platforms delivered a strong third quarter, and we remain on track to deliver our 2024 EPS outlook of at least \$28.40, and we're on track for another competitively differentiated year in 2025.

Before I close, I want to thank our 70,000 colleagues around the world and a fantastic senior leadership team. It's their focus, caring orientation, and commitment that allows us to do what we do day in, day out for those we have the privilege to serve. We're proud of what we've accomplished in the third quarter and the trajectory that we have for the full year, and we look forward to talking to you in the future. Have a great day.

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### Operator

Ladies and gentlemen, this concludes The Cigna Group's Third Quarter 2024 Results Review. Cigna Investor Relations will be available to respond to additional questions shortly. A recording of this conference will be available for 10 business days following this call. You may access the recorded conference by dialing 888-282-0035 or 203-369-3602. There is no passcode required for this replay.

Thank you for participating. We will now disconnect.

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