Financial Performance of Select Health Insurance Companies in USA: A Comparative Analysis

By

Reeya Singh

Dissertation submitted in partial fulfillment of the requirements of the degree

MBA Hospital and Health Management

Academic year, 2017-2019

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IIHMR UNIVERSITY

TO WHOMSOEVER IT MAY CONCERN

This is to certify that Dr Reeya Singh student of MBA Hospital and Health Management from The IIHMR University, Jaipur has undergone internship training at ZS Associates Pvt. Ltd. from 4th February to 1st May, 2019.

The Candidate has successfully carried out the study designated to her during internship training and her approach to the study has been sincere, scientific and analytical.
The Internship is in fulfillment of the course requirements.

I wish her all success in all her future endeavors.

Col. (Dr.) Ashok Kaushik
Dean (Academics and Student Affairs)
The IIHMR University, Jaipur

16 May 19

Dr. Anoop Khanna
Professor
The IIHMR University, Jaipur

SALES + MARKETING

April 30, 2019

EXPERIENCE CERTIFICATE

This is to certify that Reeya Singh (Emp ID-20391) was interning in our organization from February 4, 2019 to April 30, 2019. At the time of leaving she was working in the capacity of Knowledge Management Associate – Intern based at the New Delhi office.

We wish you all the success in future endeavors.

For ZS Associates India Pvt Ltd

Mohit Sood
Office Managing Principal

CERTIFICATE BY SCHOLAR

This is to certify that the dissertation titled **"Financial Performance Evaluation of Select Health Insurance Companies in USA: A Comparative Ratio Analysis"** and submitted by **Reeya Singh** Enrollment No.**0644** under the supervision of Professor **Dr Anoop Khanna** for award of MBA in Hospital and Health Management in Health and Hospitals of the University carried out during the period from **4th February to 1st May 2019** embodies my original work and has not formed the basis for the award of any degree, diploma associate ship, fellowship, titles in this or any other institute or other similar institution of higher learning.

Signature Reeya

Name- REEYA SINGH

Acknowledgment

I am grateful ZS Associates for providing me with the opportunity for professional development and to learn a great deal about the other aspect of healthcare apart from hospitals. I am also grateful for the chance of having met these professionals working in the organization, each teaching me a different perspective and approach.

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I choose this moment to acknowledge the inputs, guidance and advice provided by my guide and professor, Dr Anoop Khanna, for having encouraged me to deliver quality outcomes through his feedback.

I am grateful for this opportunity and look forward to implementing my learnings from hereon in the best possible way.

Sincerely

Reeya Singh

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ABSTRACT

The health insurance industry in USA is undergoing a transition from fee for service model towards a value-based healthcare model. The new model of care provision focuses on population health management, promoting preventive care rather than the current curative approach. The adoption of this model by more and more companies and constant political regulatory changes have made the market dynamics unstable. A financial analysis of a company in this scenario helps delving into the performance of the company in terms of financial earnings and expenses along with studying their strategic allocation of resources to not only maintain stability but also grow the business in the market. Each strategic approach could be a differentiating factor for health plans as the competition continues to grow. The study aims at drawing a comparative analysis among five selected health insurance companies in USA. Financial analysis in the paper has been executed through ratio analysis and financial statements analysis. The objectives of the study include drawing a comparability among the five companies based on their product segmentation, revenue and services offered along with developing a performance understanding using different ratios for analysis and analysing the strategies adopting by the companies to cater to the changing needs of the customers and market. The secondary data analysis highlighted the performance of the companies in financial terms, based on their management of resources, liquidity, debt to equity approach and enrolment CAGR over a period of five financial years. The financial analysis helped in understanding the business performance of the companies and revealed further scope of research in the field to create financial based strategic mediations.

Keywords- Health insurance USA, Medical Care Ratio, Current Ratio, Enrolment, Customer Engagement

List of Abbreviations

- USA -Unites States of America
- CHIP - Children's Health Insurance Program
- CAGR - Compound annual growth rate
- MA – Medicare Advantage
- Health Maintenance Organization – HMO
- Preferred Provider Organization – PPO
- ACA- Affordable Care Act
- FY – Financial year
- MCR – Medical Care Ratio
- SEC- Securities and Exchange Commission, USA
- VBC – Value- based Care
- FPL – Federal Poverty Line
- Billion – Bn
- EPS -Earnings per share

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1.INTRODUCTION

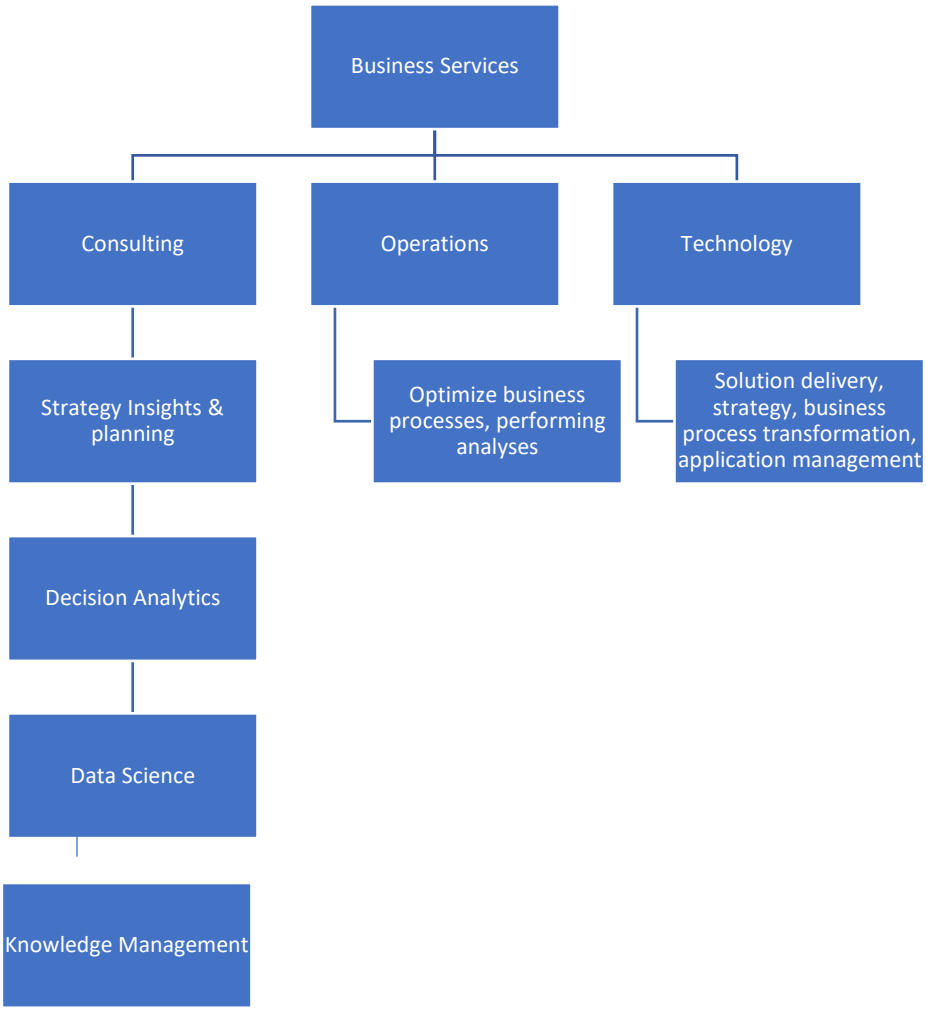
1.1 About the Organization

ZS Associates Pvt. Ltd. is a sales and marketing outsourcing, staff augmentation, and technology firm headquartered in Evanston, Illinois that provides services for clients primarily in the pharmaceutical industry. ZS was founded in 1983 by Andris Zoltners and Prabha Sinha, who worked together as professors of marketing at the Kellogg School of Management at Northwestern University

It is a professional services firm that helps companies develop and deliver their products by leveraging technology, analytics and expertise talent to create solutions. It has more than 6000 professionals in more than 20 offices worldwide. ZS helped pioneer a shift in the industry from intuitive decision making to a data driven strategy implementation. ZS works with 49 of the 50 largest drug-makers and 17 of the 20 largest medical device makers and also serves consumer products, financial services, industrial products, telecommunications, and transportation and logistics industries.

ZS has focused on two areas that create customer demand: sales and marketing. As a result, the expertise in this domain is both broad and deep. They provide a vast range of marketing- and sales-related services in the industry, from customer insight, product development, sales and marketing strategies to sales compensation planning and administration planning to name just a few. The firm leverages its deep knowledge on the range of sales and marketing activities and how they interact in order to anticipate the upstream and downstream effects of virtually any decision. Thus, ZS offers clients the unique advantage of understanding what will work best for their business/organization.

Business Verticals:



1.2 ORGANIZATIONAL TIMELINE

1983: Incorporation of ZS Group Inc., which was later renamed as ZS Associates

1985: The firm released the first version of its automated territory design software

1986: ZS had helped eight of the world's 10 largest pharmaceutical companies size their sales forces and align territories in the United States, Canada, or Europe. The two-year-old, 25-person firm had already worked on nearly 100 projects in a dozen countries

1987: ZS was selected by a global corporation to help reorganize, downsize, realign, and redeploy its US sales forces. It was one of ZS's largest projects to date. Another change that about as the focus on people- oriented aspects of facilitating placement decisions, providing change management processes and supporting tools for the human resources side of sales and marketing became a key element of the firm's placement work

Additionally, ZS began working on incentive compensation design and administration, helping clients determine optimal incentive plans for their sales teams as well as publishing performance reports and calculating attainment on an outsourced basis

1990: An international company chose ZS to help develop sales force strategies and deployments for its recently merged sales forces in a dozen key countries. This was the first of many such near-simultaneous, multi-country projects for the firm. The same successful model was repeated through the 1990's with multiple clients

1993: The firm introduced a new sales force effectiveness and productivity framework. This framework – and future versions – have since been leveraged extensively to help clients determine their key issues and improve their business performance. It also began to develop data warehouses for clients, as well as a range of analytical services. These projects were the genesis for ZS's services in client capability building and outsourcing

1997: ZS began to apply its data-handling capabilities and rigorous analytics to the marketing research function

1998: ZS introduced specialized software, processes, and dedicated teams to focus on the growing opportunity in administering sales force incentive compensation programs.

2004: Institute for Operations Research and the Management Sciences (INFORMS) awarded Andy and Prabha the Marketing Science Practice Prize for outstanding implementation of marketing science concepts and methods, recognizing the sales territory alignment system they had developed and implemented through the work of ZS Associates

2007: The firm completed more than 2000 projects – a first for a single year – for almost 300 clients in 28 industries in 38 countries. The projects were in 30 different categories/issues: more diverse than ever

2008: 25 years of growth was marked by highlighting their journey across 17 offices spread across the globe and building their presence in the pharmaceutical industry

2009: Awarded **"**Best Consulting Firms to Work For (Large)" by Consulting Magazine

2010: Received the Global Sustained Supplier Award, Lilly, 2010 for Top Consultant firm

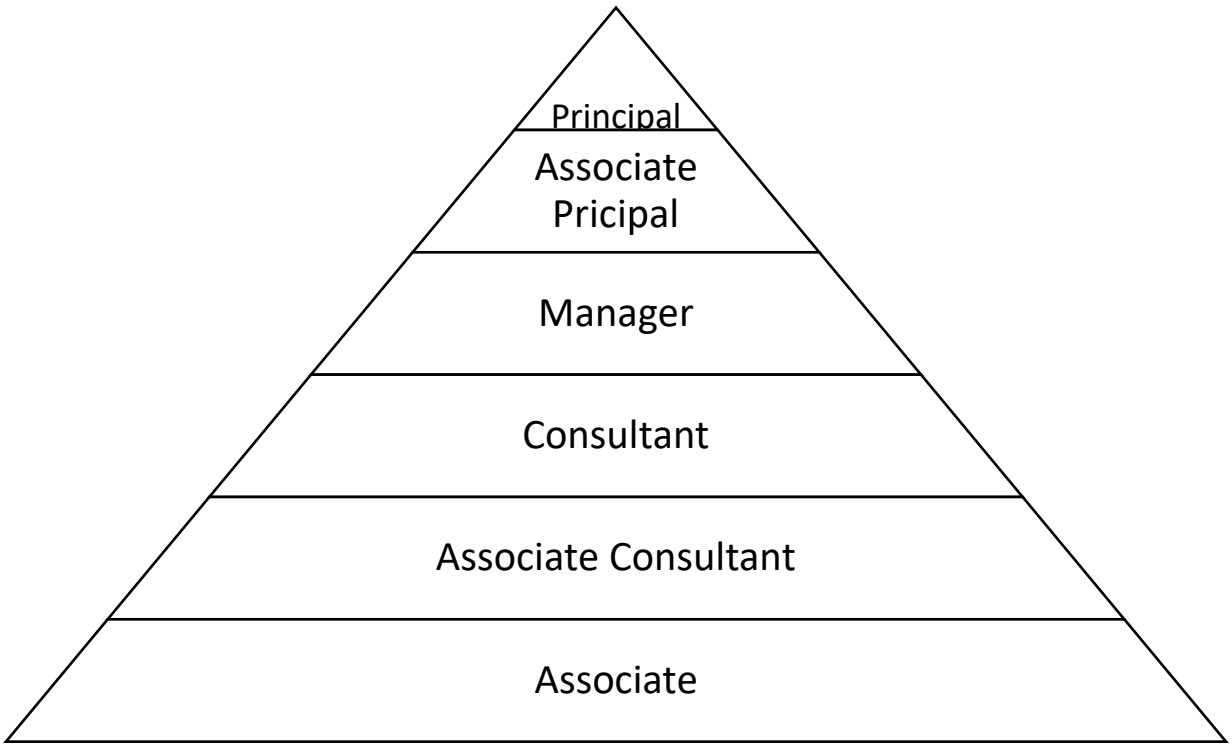
2015: Ranked 5th in Healthcare consulting, ranked 16th in Retail consulting, received the Best Consulting Firm prestige from Vault Inc., best known for its influential rankings and ratings

2019: Recognized as a Best Place to Work for LGBTQ Equality in 2019 by the Human Rights Campaign Foundation

1.3 GLOBAL LOCATIONS

Unites States of America	Europe	Asia
Boston	Barcelona	New Delhi
Chicago	Frankfurt	Pune
Evanston	London	Bangalore
Los Angeles	Milan	Shanghai
New York	Paris	Tokyo
Philadelphia	Zurich	Singapore
Princeton		
San Diego		
San Francisco		
Sao Paulo		
Toronto		

1.4 ORGANIZATION STRUCTURE:



1.5 INDUSTRY OVERVIEW- HEALTH INSURANCE IN USA

Health insurance is a term used commonly to describe any program that aids beneficiaries in payment of medical expenses. The United States of America has a health system that offers several forms of health insurance which can be broadly categorized into private and public coverage.

1.51Type of health plans available in the USA health insurance market:

a) **Medicaid**: It is a jointly funded program of the federal government and the states which provide coverage(insurance) to low income families, pregnant women, elderly whose income is, as of 2018, up to 138% of the Federal Poverty Line. Another program that is funded through a federal- state partnership is the Children's Health Insurance Program (CHIP) that provides coverage to certain children whose families do not qualify for Medicaid but who also cannot afford private insurance.

i. In 2018,**72,455,528 individuals** were enrolled in Medicaid and CHIP in the **51 states** that reported enrollment data for December 2018.

ii. **65,852,256** individuals had enrolled in Medicaid while **6,603,272** had enrolled for CHIP

b) **Medicare**: It is a federal social program which provides coverage to senior citizens (65 years and above) and for individuals with disabilities based on the eligibility criteria, irrespective of the income. There program, keeping up with the recent trends, has increased on improvement of chronic illness outcomes. As of 2018, the net spending of the federal government on Medicare was $589 billion, the gross spending being 3% of the GDP.

- Medicare is further distributed into 4 parts, Part A, B, C and D. Part A and B are part of the original Medicare program which provide basic coverage to the eligible beneficiaries. Part C and D are available through private insurance.

i. **Part A** provides hospital coverage that includes expenses of hospital stays, home healthcare and skilled nursing facility care.

ii. **Part B** inclu`des medical coverage that takes care of costs associated with doctor visits, outpatient services and diagnostic screenings.

iii. **Part C** is also known as Medicare Advantage (MA) plan which are offered through private health insurance companies that contract with Medicare. These plans include Health Maintenance Organizations (HMO), Preferred Provider Organizations (PPO), Private fee for service plans, special needs plans, Medicare medical savings account plan. Most of the Medicare services are covered by this plan but services are not paid for by the original Medicare. Most MA plans also offer prescription drug coverage

iv. **Part D** includes Medicare's outpatient drug benefit which is provided by private health insurance plans that are in contract with the federal government, similar to Part C coverage. Enrollment for Part D is optional and would be most beneficial only if the enrollee is priorly enrolled with Medicare. In-case of an employer, retiree coverage or certain low-income assistance programs, chances are of already being covered for prescription drug benefit, in which case the interested personnel need not enroll for Part D Medicare plan.

c) **Private fee for service plans**: It is a type of Medicare Advantage plan which is offered by private insurance companies that are contracted with Medicare. The out of pocket costs vary as per the plan and provider. The difference from an HMO is that it is not bound by network providers, provided they accept the plan's payment terms. Providers need to consider the payment terms for each service provided. The patient has to pay copayment / coinsurance amount that as per the type of service received.

d) **Value based insurance design**: Value based health insurance aims at reducing barriers in maintaining a healthy lifestyle. This is done by focusing on quality of health care provided and cost optimization through financial incentives. It aims at promoting consumer choice. Health plans are increasingly redesigning their n=benefit plans to match the criteria for a value-based health care model.

e) Network organizations that are affiliated with health plans:

i. **Health Maintenance Organization** – It is a network or organization that provides health insurance fees for a monthly or annual fee. It is made up of a group of health insurance providers that may limit the coverage to the medical service provided by doctors who are under the contract with the HMO. An HMO is basically an entity that may be public or private and provides basic and supplemental health services to its subscribers who pay a monthly/annual premium to access the services. It requires a referral of a primary care physician who co-ordinates all the health care services. Another aspect of eligibility can be dependent on the residence of the beneficiary to be able to avail the services. The HMO is available at low premiums, in addition to low or no deductibles but has the concept of co-payments. A co-payment is a fixed out-of-pocket amount that is paid by the insured personnel for the covered services and the rest of the amount is paid by the health insurance provider.

ii. **Preferred Provider Organization**: PPO is a type of health insurance wherein families select their specialty care doctors without any referrals from primary care physicians. There is no restriction on selecting a doctor within the network, although choosing an in-network provider (doctor/care facility) would be more cost effective. A higher percentage of costs are covered on choosing an in-network provider. The beneficiaries would have to meet an annual deductible before being covered for care.

1.5.1 Key factors while buying health insurance in the USA market:

- **Out-of-pocket expenses**: It refers to the amount that is paid for the medial expenses by the individual from their own cash reserves upon receiving health care. This may be reimbursed by the insurer depending on the plan structure. It does not cover the premium amount that is paid to the insurer for the selected health plan.

- **Annual deductible**: It refers to the amount that is paid out-of-pocket before the insurer begins to cover any medical costs. For e.g., if the deductible amount has been set as $1000, then the individual would be responsible for paying the first $1000 for the healthcare services availed each year, after which the insurance company would start paying its share.
- **Copayment (or Copay)**: Copay is a fixed amount that the individual has to pay each time on receiving care, if it is subject to the same. The amount is usually pre-decided in terms of sharing with the insurer. For e.g., A $20 copay might be applicable for a doctors' visit, after which the insurance company picks up the rest. Premiums are usually inversely proportional to copay amounts, higher the premium lesser is the copay.
- **Coinsurance**: When a predetermined percentage of the care cost is picked up by the insurer and the remaining has to be settled by the individual. For e.g., A CT scan may cost $500, of which 20% will be picked up by the individual while the insurer pays for the remaining 80%. Similar to copays, plans with higher premiums generally have a lower coinsurance.
- **Premium**: It is the amount of money paid by an individual or business for their selected health plan. Premiums are a source of income for insurance companies, the insurer needs to provide coverage for claims made against it. The premiums can be paid in installments or as an upfront amount depending on the insurer's terms of payment for the coverage.

1.5.3 Financial performance of Health insurance companies: Need of the hour

The health insurance market is a dynamic one that is constantly battling stability due to influence from external market forces. In the current times in USA, the health insurance market is dependent on investments and mergers for the sustenance and growth plans. A merger can occur only if the investors find sound financial returns, on a parallel line, a consumer is well aware of the influence of financial factors like OOP, which has picked up as one of the leading criteria for selecting the health plan. Hence, financial evaluation and analysis of a company's business gives a bird's view of the performance and future of the company which benefits three stakeholders- the company itself, potential and existing investors and the end consumer.

2.REVIEW OF LITERATURE

Extensive review of literature has indicated that financial performance evaluation is essential as it helps evaluate the utilization of resources and can project their efficient allocation. In health insurance, apart from the basic financial indicators some of the other indicators that hold importance include claims turnover, premiums earned and enrollment for the health plan in the latest financial year.

A study[1] in 2011 on private health insurance premiums and rate review by Newsom and Fernandez stated the use of PMPM calculations in health insurance statistics to determine premium costs. There was an upward trend in health benefits expenses on a PMPM basis that was observed by the researches between the period of 2002 to 2009 in the health industry, indicative that the insurers were spending more for the customers in terms of administrative expenses.

McCue and Bailit[2] issued the results of their study on 'Assessing the Financial Health of Medicaid Managed Care Plans and the Quality of Patient Care They Provide' in 2011, wherein they utilized financial ratios including MCR, operating margin ratio to measure the performance of the plans which helped them in relating reduced medical costs to higher enrolment of healthier beneficiaries. The study indicated towards the need of further research in evaluation of costs and plan traits as they relate to market factors.

Financial performance of Health Plans in Medicaid Managed Care[3] study in 2012 could draw on underlying reasons for lower medical costs through ratio analysis and analyzing the financial data of the product lines selected for the study. It provided an insight on the spending patterns and profit generation scope, resource utilization and business process improvement through scanning and analysis of the financial data.

A 2015 Deloitte[4] survey of 15 health plans focused on plans' Value-based care (VBC) strategies, market conditions and driving forces. The respondents believed in payment innovations, provider collaborations and patient engagement strategies as the key drivers for adoption and transition into VBC. The executives believe that shifting to a model in which providers take cost and quality responsibility would be fundamental for future profitability and sustainability.

In 2017, a USC-Brookings Schaeffer whitepaper[5] narrowed in on facilitating factors for losses incurred by insurers and the potential factors for it by analyzing their financial performances. The analysis was used to estimate trending percentage, PMPM spending, MCR analysis and premium earnings. It also studied the stabilizing factors that were adopted by the health plans to match the changes in the market brought about by the introduction of ACA.

A Deloitte[6] 2017 report studied revenue, enrollment, PMPM parameters to draw on drivers of enrollment and revenue through a period of five years by analyzing financial statements published by the companies.

In 2018, Deloitte[7] released a VBC transition whitepaper wherein it published the average MCR spending between 2010 to 2015 for health plans increased from 86% to 90% along with increased employer contribution by 28% in the same period. This indicated towards raising healthcare costs driven by financial challenges.

A 2016 financial analysis report by Milliman[8] focuses on MCR, enrollment to provide an overview of the market dynamics and transitional changes in commercial health insurance industry and further it by projecting 2017 financial and market outlook.

Considering the available literature and scope of furthering research in the financial segment of health insurance industry, this study attempts to contribute to the literature by providing a perspective on utilization of financial analysis to study business strategies and transition in approach of the top companies in the health insurance industry.

3. BACKGROUND OF THE PROJECT:

The health insurance industry is highly influenced by the market trends and political scenario of the country. An example of this is the recent shift towards value-based healthcare (VBC).
The aim of value-based insurance is to provide quality care at reduced costs. This has led to the redesigning of health benefits plan wherein the focus has shifted to preventive care as compared to the previous traditional “quantity of care” approach. VBC shifts the focus towards population management, incentivizing quality-based performance of the care providers and introducing

alternative payment models. The alternative payment model suggests payment for performance and quality of care which will be determined based on the health outcome of the patients. The market volatility and industrial instability makes financial analysis a basis for understanding the performance of the companies in terms of value for investors and consumers. A value-based focus would have a more customer centric spending trend which need to necessarily translate into sales and market expenses. Further analysis of a company's financial statements helps in developing a better understanding of the business performance of the company. Drawing a comparison among companies helps in creating a baseline for narrowing down their factors impacting performance during analysis.

Financial performance Analysis: It is an evaluative method for tracing the company performance for a period to observe the health and consistency of the delivery by the company. The financial statements include a balance sheet, income statements and highlights from the management that indicate towards the approach adopted to achieve their goals and the status of their efforts.

i. Income statement: Also known as "Profit and Loss statement", it primarily focuses on the revenues and expenses of a company during a particular period of time. This is often an annual disclosure by the company as a best practice implies by Securities and Exchange Commission. An income statement provides insight into a company's operations, management efficiency and its relative performance with respect to industry peers

ii. Balance sheet: A balance sheet reports a company's assets, liabilities and shareholder's equities for a specific point of time. It provides a snapshot of what the company owns and what the company owes. It is used for calculating financial ratios along with an income statement.

Financial analysis gives an insight on the health of the company and its performance in the industry. The income statement and balance sheet form good tools as the reporting structure has been standardized by the SEC, thereby making the comparison possible.

The revenue of a company is usually earned through a primary source and sometimes a secondary source depending on the business model. In insurance it is usually the premiums

that are considered as the main source of income for the payers. The more the company pays to attract customers the more the profit margin gets affected. Thus, if a company has managed to bring in more customers and kept the marketing and sale expenses consistent or lower, it indicates towards a rewarding strategy which can further be deep dived into. This study has been done as a comparative analysis of the financial performance of select health insurance organizations to deduce best possible business strategies implied in terms of performance of the organizations in relativity to each other.

Rationale

The five companies (United Health Care, Cigna Corp., Humana Inc., Anthem Inc. and Aetna Inc.) have been selected as they have consistently maintained their position among the top 10 health insurance companies in the recent past. They have been pitted as competitors against each-other. Hence this study aims at analyzing the financial statements of these leading health insurance companies in USA to trace their business performance over the last five years and to understand factors influencing their performance. It also aims to analyze the initiatives taken by them to adapt to the shifting focus of the health insurance industry.

The ratios for analysis have been selected according to the aim of narrowing down on the business strategy that has proved to be most beneficial for the organization in terms of revenue and customer evolvement.

4.OBJECTIVES:

1. To scan comparability among the five selected health insurance companies in terms of customers catered and services provided
2. To compare financial performance of select five health insurance companies over a period of five financial years (2014 to 2018) related to: -
    i. Revenue CAGR
    ii. Enrolment CAGR
    iii. Current Ratio
    iv. Solvency Ratio

v. Efficiency Ratio
vi. Medical Care Ratio
vii. Per Member Per Month Premiums
viii. Price-to-earnings Ratio

3. To study the strategic options implied by the companies derived from the performance evaluation

5. MATERIAL AND METHODS:

5.1 STUDY DESIGN:

A descriptive cross-sectional study design has been leveraged wherein secondary data sources have been capitalized to perform financial statement analysis using ratio analysis for the selected five health insurance companies over a period of five financial years

5.2 NATURE OF DATA COLLECTED:

Secondary data -A systematic approach was adopted to research on key terms related to the study. A ratio analysis deep dive was done by using search strings that included "Ratio analysis for health insurance", "financial statement analysis + health insurance + USA".

The searches were mainly carried through the medium of databases, authentic financial analytic platforms, articles, journals, trade platforms, analyst reports with a filter of time period for the past five years.

5.3 SAMPLING DESIGN:

Judgement sampling technique has been applied to select health insurance companies from the list of top 10 health insurance companies in USA. The parameters considered for selection include product segmentation, revenue and services provided.

5.4 DURATION OF STUDY:

February 2019 to May 2019 (three months)

5.5 DATA TOOLS:

The data tools that have been leveraged to derive relevant information that will aid in financial performance analysis and calculation of financial ratios for FY2014 to FY2018 for the selected health insurance companies have been listed below:

- Balance sheet
- Income statement
- Annual transcripts
- Analyst reports

i. **Sources of secondary data**

- Annual report, 10 K filling
- Company website
- Internet
- Confidential sources

ii. **Utilization of tools in the study:**

i. Income statement: The period used for analysis in this study is of five financial years from FY 2014 to FY 2018. Data that has been analyzed from the income statement include total revenue to calculate CAGR for five years. This aided in developing an overview of the financial portfolio of a company, creating comparable baseline in terms of returns among the five companies.
   - The cost of claims has also been utilized for the MCR calculation data requirement

ii. Balance sheet: The data utilized included current assets and current liabilities reported for ratio analysis. It helped in providing the liquidity status of the organization. It brought forth the company's financial position by revealing the status of business at a specific point of time.

iii. Analyst reports, Earnings call transcripts: This provided data on the enrolment numbers and strategies for the business executed by the companies along with their future plans. This helped in MCR calculation and developing an overall picture of the companies' vision

iv. Ratio analysis from analytical reports have been utilized to highlight the premiums of PMPM which helped in determining the performance among the five selected companies in this segment

5.6 FORMULAE USED FOR CALCULATIONS:

1. Compound annual growth rate:
   i. (Final value/initial value) ^(1/years)-1
   ii. CAGR calculates the rate of return required for an investment to grow from its beginning balance to the ending balance with an assumption that the profits were reinvested at the end of each year of the investment's lifespan.
   iii. It essentially describes the rate of growth of an investment, smoothening the year-on-year performance. It aids in drawing comparisons with other investments to understand the difference in returns. It can be also used to calculate the required rate of return subject to availability of reliable financial data.
2. Efficiency ratio:
   - Asset Turnover= Revenue/Total Assets
     i. Efficiency ratio measures the ability of the company to use its assets and manage its liabilities in the short term or current period.
     ii. Asset turnover ratio measures the use of assets by the company management. It measures the ability to efficiently generate revenues from the assets.
     iii. It calculates the sales as a percentage of the assets of the company.
3. Liquidity ratio:
   - Current Ratio= Current Assets/ Current Liabilities
     i. Current ratio is a liquidity ratio that helps measure the ability of a company to pay short-term obligations or any dues within a year. It provides intel on how a company can utilize their current assets on the balance sheet to satisfy the current debt or current payables.
     ii. It is also called working capital ratio. The standard interpretation of the ratio states adequate capital when the ratio is greater than 1 and inadequate capital to meet short term obligations when it is less than 1.

iii. The current ratio can be used as a useful measure of company's short-term solvency when placed in the context of historical financial data and in a competitor analysis.

4. Solvency Ratio:
    i. Debt to Equity Ratio = Total Debt/ Total Equity
    ii. The ratio helps in identifying how much of the business is funded by debts and how much of it is running on equity.
    iii. By standard interpretation, higher the ratio higher is the risk of heavy debt obligation on the business
5. Medical Care Ratio:
    i. MCR= (Cost of total medical claims paid + adjusted expenses)/Total premium collected
    ii. It is also known as Medical Loss Ratio. It is used as a basic financial measure under the ACA to encourage health plans provide value-based services to the enrollees.
    iii. An MCR of 80% indicates that the health plan has used 80% of the premium collected towards medical claims and activities to improve the care provided while the remaining 20% is utilized for administrative expenses of the company.
    iv. The ACA or the state law can set the minimum MCR to be paid out by the insurance companies. The industry standard is 80% or lower.
6. Premium Per member per revenue:
    i. Total cost of benefits/ number of member months
    ii. Reported as a part of revenue declaration in health insurance financial statements, PMPM represents a revenue or cost for each member each month. It can refer to either a fixed fee/premium paid to providers by the health insurer for the enrollee, every month or it could refer to the premium per enrollee per month by the health insurer.
7. Price to Earnings Ratio:
    i. P/E = Market value per share/ earnings per share
    ii. It is used to determine the relative value of a company's shares among companies from the same industry.

iii. It is also known as price multiple or earnings multiple. The data used for analysis in the study is the trailing EPS.

5.7 LIMITATIONS OF THE STUDY:

1. The limitation of this study comes from the inherent drawbacks of ratio analysis, which has been used for this study:
    i. The information is based on historical data published by the company and thus may not represent the future performance of the company
    ii. Income statements usually state current costs whereas some elements of a balance sheet consist of historical cost. This difference could result in inaccurate ratios
    iii. Interpretation of ratio analysis may be difficult in terms ascertaining a particular reason to the result
    iv. Influence of company strategies could also impact the result obtained. E.g., A company aiming to achieve a larger market share may be following a low-cost strategy, thereby accepting a lower gross margin in exchange.
    v. Seasonal factors could potentially result in false interpretations of results from the analysis
    vi. The information published by the company may be manipulated which would impact the ratio analysis that is based on the information available
2. The next limitation comes in the form of scope of access to internal data which is related to the financial performance of health insurance organizations and industry
3. The inherent limitation of secondary data that is available on public forums and confidential data sources, published annual reports of select health insurance companies

6. DATA ANALYSIS:

Competitor analysis – criteria for selecting companies

Organization	Recent financials (in millions)	Product Segmentation	Services	Customer Engagement services
Aetna	$60,535	Healthcare, Group insurance, Large case pensions	Healthcare services - medical, pharmacy, dental, behavioral health, group life and disability plans, medical management capabilities, and health care management services	i. Shareablee – social intelligence platform ii. Fitness trackers- Apple watch purchase-discount incentive iii. Joint ventures with partners thereby offering plan expertise and analytics support
Anthem Inc.	$92,311	Comprehensive Health Solutions Commercial Business	Network-based managed care plans to large and small employer, individual, Medicaid, and	i. Partnership with ACOs provides data and analytics support ii. Real time application

			Medicare markets, health, dental and vision, and pharmacy benefits, life insurance, disability insurance benefits	verification process and streamlining enrolment process by transition into cloud-based technology
Cigna Corp.	$48,650	Integrated medical, Health Services, International Markets, Group Disability and Other Operation	Insurance: retirement, health insurance, life, accident, disability, supplemental, Medicare, dental annuity products	i. Discount on policy premiums on achieving health goals through health coaching programs and wearable devices ii. Careallies subsidiary-provides advisory and management services to providers
Humana Inc.	$56,912	Retail, Group and Specialty, Healthcare Services and	Medicare benefits, individual commercial	i. Employee advocacy program to drive customer

		Individual Commercial	fully insured medical benefits, including dental, vision, and other supplemental health products, pharmacy solutions, provider services, home-based services and clinical program, administrative services	engagement on social media platforms ii. Artificial Intelligence bot Cogito analyses customer service interactions to refine the approach iii. Go365 – a wellness reward program that customizes fitness goals through coaching and wearables
UnitedHealth Group	$2,26,247	UnitedHealthcare – insurance arm Optum- health services business arm	Employers products and resources to plan and administer employee benefit programs, specialized care services	i. Fitbit users - $1500 a year as reward for health goal achievement ii. Technology and data support to partner network

				providers

1. **UnitedHealthcare Group:**
    - UnitedHealthcare Group. is an American for-profit health care company headquartered in Minnesota, USA. UHG is the parent company that consists of two divisions: UnitedHealthcare which is it's benefits vertical and Optum, which is its health services' platform.
    - Optum provides solutions for population health management care delivery and clinical and operational management, pharmacy benefit management services. It executes this through three platforms: OptumRx, OptumInsight, and OptumHealth.
    - It offers products on 23 state exchanges, inclusive of 15 states where the payer offers Medicaid plans
    - It offers health plans tailored for individuals with chronic/lifestyle diseases, with an emphasis on Diabetes
    - In 2018, UHG came up with a strategy to meld provision of medical care with health insurance, a strategy which has been taken up by competitors like Aetna and Humana

2. **Humana Inc:**
    - Humana, along with its subsidiaries operates as a health and well-being company in USA. It offers medical and supplemental benefit plans to individuals. The retail segment of the company consists of Medicare benefits along with commercial health plans. It is marketed to individuals directly or via Medicare accounts.
    - It is headquartered in Kentucky, USA and has served more than 8.5 million Medicare members in 50 states as of 2018
    - In 2019, Humana announced its plans to add value to its Medicare plans wherein fitness program memberships, virtual doctor visits, rides to medical appointments would be available with select MA plans.
    - It plans to extend $0 premium to HMOs and PPOs plans across the country

3. **Cigna Corporation:**
    - It is a health services company which offers medical, dental, disability, life and accident insurance and related products and services.
    - The company offers medical plans which range from managed care plans, PPO and choice fund suite consumer products. It offers Health Savings Accounts (HSA) and Flexible Spending Accounts (FSA) to help customer better understand and manage their health and associated expenses
    - As of 2017, the company delivered primary care services, employer based onsite care with approximately 60 health center and 160 health coaches
    - In-line with the UHG strategy, Cigna completed merger with Express Scripts, a pharmacy benefit manager in a $67 billion deal. The merger was upheld with the aim of lower costs and delivering better health outcomes in lieu of the value-based care adoption by the industry
4. **Anthem Inc.:**
    - Anthem was incorporated in 2001, headquartered in Indianapolis, USA. It operates through 3 main segments – Commercial and Specialty business, Government business and others
    - It serves more than 40 million members with its health plans. It is an operator of the Blue Cross Blue Shield Association in 14 states
    - Anthem is set to roll out its own pharmacy benefit manager IngenioRx, with a major focus on migrating drug benefits to its enrollees
    - Anthem was priorly known as WellPoint Inc.
5. **Aetna Inc.:**
    - Aetna operates as a health care benefits company in USA. Its healthcare segment offers medical, pharmacy, dental, behavioral and vision plan with individual and employer plans
    - It is headquartered in Hartford, USA. It caters to 22.1 million medical members, and approximately 13.1 million pharmacy benefit management services members
    - In 2018, it was acquired by CVS Health, a health innovation company with the aim of transforming consumer experience. The merger is between CVS' pharmacies and Aetna's insurance business in a $69 billion deal.

- In 2019, to further the consumer engagement, Aetna along with Apple will launch Attain application through which Aetna members will be provided personal goals and recommended healthy actions improve their well-being. Reward opportunities include the possibility of winning an apple watch through participation in the program

6.1 RESULTS OF ANALYSIS

1. **Revenue: Enrolment CAGR**
    - CAGR has been selected to understand the basic earnings of the health insurance companies and draw comparisons in their performance considering they all belong to the same industry and market their services to the same customers, hence making the end results comparable
    - The first indicator considered for analysis is the revenue CAGR of the five selected health insurance companies over a period of five financial years. CAGR represents the health of the company. It describes the rate at which an organization has grown in terms of revenue and how consistent the growth rate was year on year.
    - Market volatility and inconsistency is smoothened with the help of CAGR
    - **Mapping a comparison between revenue CAGR vis a vis Enrolment CAGR over a five-year time period among the companies**

Table 1.1

Organization	Revenue CAGR ($ in millions)	Enrolment CAGR
Aetna Inc	**4.16**	**0.27%**
Humana Inc	**5.09**	**5.4%**
Cigna Corp	**5.74**	**5.3%**
UnitedHealth Group Inc	**8.91**	**1%**
Anthem Inc	**6.14**	**5%**

1) The above table shows the comparison of growth rate in terms of revenue CAGR vis a vis enrollment CAGR of the respective companies to help interpret if the strategy adopted was a value-based approach or a volume-based approach
2) From the data it can be seen that Aetna had a comparatively low revenue CAGR. On further research an attributable cause for the performance could be traced to its merger with CVS health due to which the financials were combined and split accordingly with CVS
3) Cigna reported an organic growth over the last two financial years with the strengthening of their commercial market segments and a 7% increase in premiums and fess in FY 2017. The enrolment was offset by lower enrolment from the Government business
4) Humana was the leading brand in retail insurance market segment in 2017 with a focused strategy on growth in seniors with chronic condition in the MA group. It provided the lowest premium value-based plans in 31 states thereby earning a larger market share than before.
5) A distinctive finding in the data is UHG which has the higher CAGR but one of the lowest enrollment growth rate numbers. The slowing of enrolment can be attributed to external market factors that occurred between 2016 – 2018 wherein states added new carriers to existing programs thereby dispersing the population. Reduced enrollment from state efforts to manage eligibility status and sale of its new plan are other attributable reasons.
    - Despite the slowing down in enrolment UHG reported 12.9% of the market share based on the direct premiums written, followed by Anthem Inc. with 9.8%. Humana Inc. had 7.9% and Aetna followed suite with 3.1% as of 2017.
    - The revenue was also driven by the solutions arm of the company, Optum. This indicates towards the strategy of adopting alternate sources of revenue that include customer and physician engagement rather than being solely dependent on the conventional form of revenue generation through premium collections and cost optimization

2. Liquidity Ratio:

i. **Current Ratio:**

Current ratio is the simple short-term measure to estimate whether a business can pay off debts within one year of the debts due using the current assets. As a standard any ratio between 1.0 – 3.0 suggests that the business has adequate cash to pay off debts and have current assets that can be reinvested or distributed among the shareholders.

Table 1.2

Organization	Current Ratio
Aetna Inc.	**1.56**
Humana Inc	**1.68**
Cigna Corp	**0.64**
UnitedHealth Group	**2.37**
Anthem Inc	**1.56**

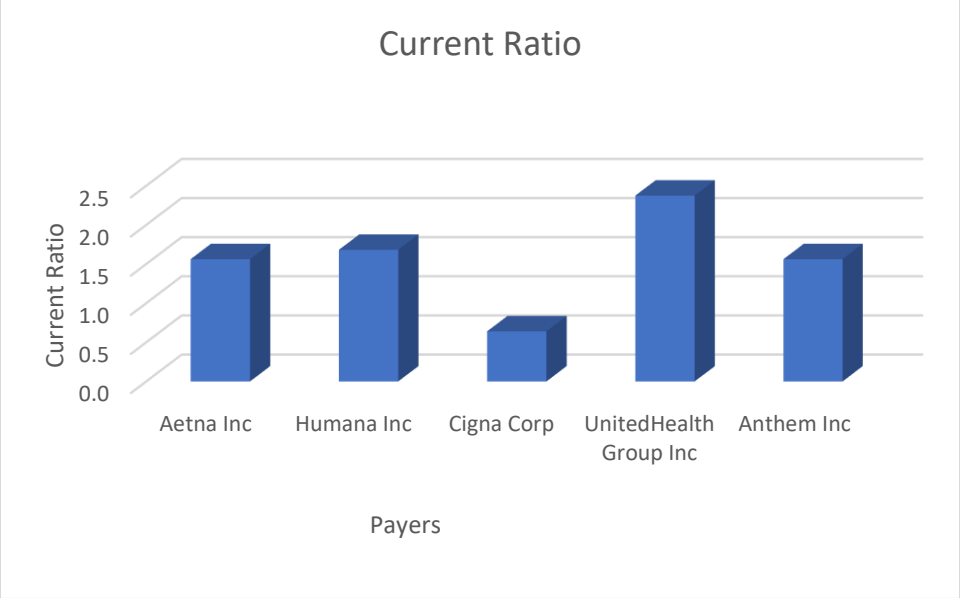


Figure 1.1

Interpretation:

- Analysis of the above data shows UHG to have the highest current ratio, indicating towards adequate amount of working capital and a good choice investment point of view.

From the customer angle it can be deduced that the company would find it easier to translate claims expenses if it exceeded the premium earnings considering the availability of working capital at hand

- Further analysis of Cigna's balance sheet revealed high cash coverage and appropriate debt levels which indicates towards efficient management of borrowings, however low liquidity could raise concerns over asset management from the point of view of investment in the company
- Apart from Cigna Corp. all other companies are within the comfortable range of current ratio

3. Solvency Ratio:

Solvency ratio or leverage ratio helps measure a company's ability to meet total financial obligations. Unlike current ratio, it is a long-term analysis of ascertaining the financial position of the company in meeting its long-term commitments

Table 1.3

Organization	Solvency Ratio
Aetna Inc.	**0.42**
Humana Inc	**0.61**
Cigna Corp	**1.03**
UnitedHealth Group	**0.71**
Anthem Inc	**0.60**

Interpretation:

- The solvency ratio indicates the extent to which the equity can fulfill the company's obligations in case of an event of liquidation. From the above financial results, it can be observed that while all the companies are at comfortable levels of solvency ratio, among them Cigna Corp. has the highest debt to equity ratio.

- Cigna has had a higher ratio in 2018 as compared to the previous four years. This can be attributed to a merger between Cigna Corp and Express Scripts, a pharmacy benefit manager in a $67 Bn deal.
- Humana Inc. has a relatively high ratio, which has been on an increasing trend over the last five years. This indicates towards an aggressive strategy of financing the growth on debt-based support rather than equity.
- A further trend analysis pointed out towards a consistency in the performance of Anthem as it maintained an average of 0.60 while UnitedHealth Group has shown a decrease in the ratio over the past four years thereby strengthening its equity financing.

4.Efficiency Ratio:

i. Assets Turnover Ratio:

Table 1.4

Organization	Assets Turnover Ratio
Aetna Inc.	**0.27**
Humana Inc	**2.24**
Cigna Corp	**0.31**
UnitedHealth Group	**1.48**
Anthem Inc	**1.29**

Interpretation:

- As a standard interpretation, higher the ratio, more efficient is the management of assets in relation to net sales or revenue. The industry average stood at 1.32
- Among the companies analyzed, Humana Inc. has the most efficient management as it reports a 2.24 ratio. This means that for every dollar invested the company is generating 2 times the revenue.
- Apart from Humana, UHG reported a ratio higher than the industry average.
- The efficiency ratio gives an insight to the stakeholders the efficiency of the company in managing assets and sales.

- Aetna's low performance can be associated with the prior ratio of solvency wherein the financial obligations ability also stood low among the five companies.
- Cigna again follows the pattern with a high debt equity ratio and low efficiency ratio thereby indicating towards a management intervention for better optimization of resources and finances.

5.Medical care ratio:

As mentioned earlier, MCR is a measurement of the percent of premium spent by the insurer on claims and value-added services that improve the quality of care. A minimum standard has been set at 85% for large groups and 80% for small groups. If these minimum standards are not met then the insurer has to pay rebates to the policyholders. What this essentially means is that an insurer has to strike the right balance in investing the premium amount earned for value-added services rather than claims so as to meet their administrative expenses.

Loss ratio is inversely proportional to profitability or administrative costs. A low MCR combined with a right skewed revenue would indicate towards higher profit margins while the vice versa would imply towards higher administrative expenses. Higher the expenses more inefficient is the process, strategy or utilization of resources.

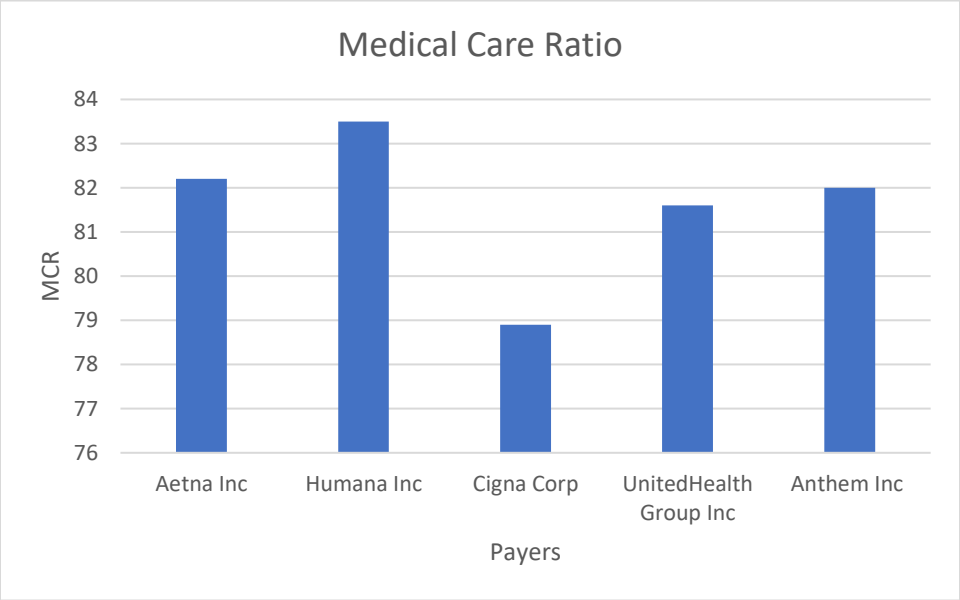


Figure 1.2

Interpretation:

- Cigna Corp has shown the lowest ratio but does not reach the 80% standard as specified according to ACA guidelines
- The next lowest ratio is projected by UHG, which also projected highest revenue CAGR over a five -year period. This can be indicative of the value-based approach of the company thereby reducing costs and providing quality care that resulted in adequate customer retention
- A deep dive into the company's initiatives revealed the member centric programs and services of the company, which have been listed below:
    i. Virtual visits with doctors from digital devices along with prescriptions that can be availed from the pharmacy
    ii. Built-in nurse line and employee assistance program which assists members with health plan related concerns
    iii. Advocate4me -An advocacy resource that addresses needs ranging from access to services, appointment scheduling, treatment cost estimation among others
    iv. Cost estimator tool to provide an opportunity to view information regarding procedures, providers, price and place. It also has a mobile based app Health4me through which consumers can access their health information at any time, check claims status, and locate nearest physician or speak directly to a healthcare professional
    v. Rally offered by UHG is a digital wellness experience platform that is available to the members. It engages them through setting up personalized goals, setting up a reward program on achieving health goals and tracing of individual results
- All other companies have managed to meet the minimal levels of the guidelines for maintaining their MCR

6. **Premium Per Member Per Month:**

   PMPM premium refers to the revenue from members:

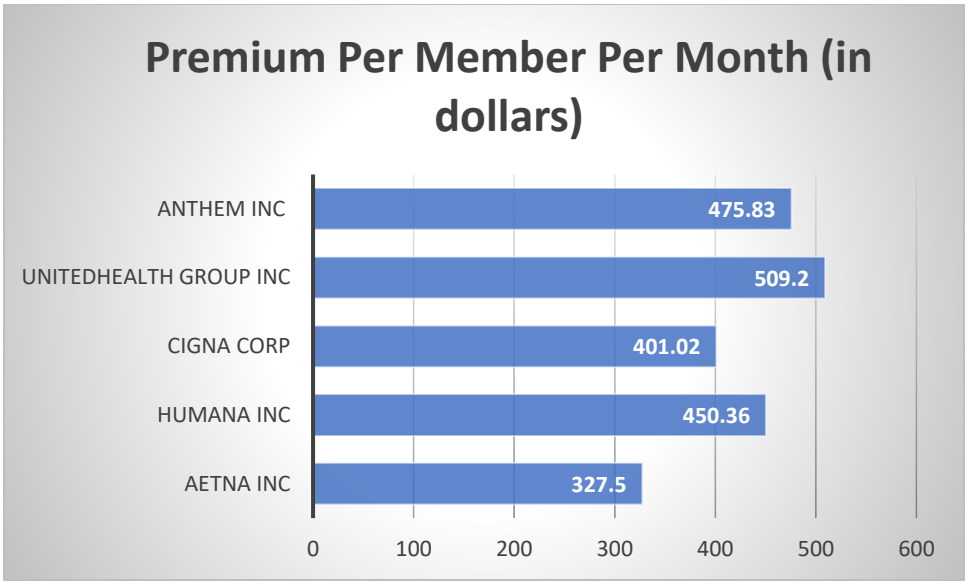


Figure 1.3

Interpretation:

- The data above shows UHG to have the highest premium PMPM insurer while Aetna is at the lowest. Connecting this back to the first analysis that included revenue CAGR and enrolment, another strategic approach that can be derived from the data, is the shift in focus of the company from a volume-based target approach to a value-based customer enagement that helps in maintaining the profit margins while meeting the PMPM costs
- Aetna's low premiums could be attributed to its merger with CVS and the combined aim to reach out to more people and gain market share in order to sustain in the changing environment that is rapidly adopting value-based health care

7. **Price to earnings ratio:**

Table 1.6

Organization	P/E Ratio
Aetna Inc.	**18.23**
Humana Inc	**23.6**
Cigna Corp	**17.75**
UnitedHealth Group	**19.20**
Anthem Inc	**18.5**

Interpretation:

- P/E ratio is usually used by analysts or investors to determine the valuation of the stocks. It provides insight on not only the stock valuation but also how a company's performance stands in comparison to others from the industry. It reflects the willingness of the market to pay for the stocks based on the past or future earnings of the company.
- Humana, among the five, has the highest valuation of stocks which is followed by UHG.
- Anthem and Aetna show comparable valuation while Cigna has the least.
- The factors for valuation include profitability measure, operations and other financial analyses, customer engagement/awareness, market performance

7.CONCLUSION:

The financial analysis in terms of business performance has helped in determining the comparability between the five selected health insurance companies. The analysis indicated UnitedHealthCare Group have the highest revenue CAGR with the largest market share even though it had a modest enrollment CAGR in comparison to its competitors selected for the analysis. UHG reported a comparatively low MCR while it has the highest current ratio indicating towards efficient use of monetary resources. Its decreasing trend in the solvency ratio indicates towards its inclination to finance by equity rather than debts. UHG reported one of the highest efficiency ratios of 1.48, which interprets into the management efficiency of the company in earning 1.5 times for every asset investment made and has the second highest valuation of company stock, after Humana Inc.

Humana Inc. results were comparable to those in UHG in many aspects, having the highest efficiency ratio among the five companies, highest enrolment CAGR. The P/E ratio indicated a high valuation of the company stock by investors and analysts which could be attributed to its low solvency ratio and moderate premium PMPM. The MCR was on the higher end as compared to the other companies. Overall, the performance of Humana Inc has been positive in financial terms with the only possible drawback being its choice of strategy in debt dependent financing vis a vis an equity one.

Anthem Inc. had a moderate performance according to the analysis results wherein the distinctive findings were its highest enrolment growth rate over the last five financial years and a

positive efficiency ratio of 1.29. The findings otherwise of Anthem were mostly in the comfortable range, making it a stable and consistent long-term investment for moderate returns.

Cigna Corp. and Aetna Inc's performance were mostly skewed to the left in quite a few of the ratios and variables selected for the analysis. Most of Aetna's numbers can be attributed to its merger with CVS, a pharmacy benefit and solutions manager while Cigna found a lot of skewed ratios due to its merger with Express Scripts, a pharmacy benefit manager. Cigna thereby reported a high solvency ratio and average current ratio. The enrollment CAGR however remained as a silver lining at 5.3.

The financial analysis for the study helped in creating the bigger picture of the companies' approach and financial health. It gave an insight as to how companies are trying to maintain their financial stability, attract new business prospects and deal with the transition towards value-based care. Cost has always been an important factor in selection of health plans, from the point of view of the investor and customer. This analysis helped in understanding the business value of the insurance companies selected and further developing a basic understanding of the strategic approach implied by them in the dynamic health insurance market.

Mergers and acquisitions with parallel service managers, mostly being pharmacy benefit managers has been a strategy adopted by most of the health plans to not only increase their market share and patient pool but also provide more services so as to create multiple moments of truth during the customer/patient experience journey.

With a shift in the industry towards value-based health care and constant volatility from the political front, more and more insurers are adapting to the changing dynamics so as to get a head-start in gaining stability for the coming times, with increased focus on customer centricity

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APPENDIX

UHG Financial Statements

In Millions of USD except Per Share 12 Months Ending	FY 2014 12/31/2014	FY 2015 12/31/2015	FY 2016 12/31/2016	FY 2017 12/31/2017	FY 2018 12/31/2018
Revenue	**1,30,474.0**	**1,57,107.0**	**1,84,840.0**	**2,01,159.0**	**2,26,247.0**
Sales & Services Revenue	14,393.0	29,234.0	39,894.0	41,683.0	46,784.0
Other Revenue	1,16,081.0	1,27,873.0	1,44,946.0	1,59,476.0	1,79,463.0
Cost of Revenue	97,459.0	1,20,081.0	1,41,454.0	1,54,148.0	1,72,401.0
Cost of Goods & Services	97,459.0	1,20,081.0	1,41,454.0	1,54,148.0	1,72,401.0
Gross Profit	**33,015.0**	**37,026.0**	**43,386.0**	**47,011.0**	**53,846.0**
Other Operating Income	0.0	0.0	0.0	0.0	0.0
Operating Expenses	22,952.0	26,146.0	30,622.0	31,885.0	36,502.0

Research & Development	0.0	0.0	0.0	0.0	0.0
Depreciation & Amortization	1,478.0	1,693.0	2,055.0	2,245.0	2,428.0
Other Operating Expense	21,474.0	24,453.0	28,567.0	29,640.0	34,074.0
Operating Income (Loss)	**10,063.0**	**10,880.0**	**12,764.0**	**15,126.0**	**17,344.0**
Non-Operating (Income) Loss	618.0	790.0	1,067.0	1,186.0	1,400.0
Interest Expense, Net	618.0	790.0	1,067.0	1,186.0	1,400.0
Interest Expense	*618.0*	*790.0*	*1,067.0*	*1,186.0*	*1,400.0*
Interest Income	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Foreign Exch (Gain) Loss	0.0	0.0	0.0	0.0	0.0
(Income) Loss from Affiliates	—	—	—	—	—
Other Non-Op (Income) Loss	0.0	0.0	0.0	0.0	0.0
Pretax Income (Loss), Adjusted	**9,445.0**	**10,090.0**	**11,697.0**	**13,940.0**	**15,944.0**
Abnormal Losses (Gains)	-211.0	-141.0	-166.0	-83.0	0.0
Impairment of Goodwill	—	—	—	—	—
Gain/Loss on Sale/Acquisition of Business	—	—	—	—	—
Sale of Investments	-237.0	-163.0	-211.0	-92.0	—
Other Abnormal Items	26.0	22.0	45.0	9.0	—
Pretax Income (Loss), GAAP	**9,656.0**	**10,231.0**	**11,863.0**	**14,023.0**	**15,944.0**
Income Tax Expense (Benefit)	4,037.0	4,363.0	4,790.0	3,200.0	3,562.0
Current Income Tax	4,154.0	4,436.0	4,709.0	4,165.0	3,520.0
Deferred Income Tax	-117.0	-73.0	81.0	-965.0	42.0
Tax Allowance/Credit	0.0	0.0	0.0	0.0	0.0
Income (Loss) from Cont Ops	**5,619.0**	**5,868.0**	**7,073.0**	**10,823.0**	**12,382.0**
Net Extraordinary Losses (Gains)	0.0	0.0	0.0	0.0	0.0
Discontinued Operations	0.0	0.0	0.0	0.0	0.0
XO & Accounting Changes	0.0	0.0	0.0	0.0	0.0
Income (Loss) Incl. MI	**5,619.0**	**5,868.0**	**7,073.0**	**10,823.0**	**12,382.0**
Minority Interest	0.0	55.0	56.0	265.0	396.0
Net Income, GAAP	**5,619.0**	**5,813.0**	**7,017.0**	**10,558.0**	**11,986.0**
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Other Adjustments	0.0	0.0	0.0	0.0	0.0
Net Income Avail to Common, GAAP	**5,619.0**	**5,813.0**	**7,017.0**	**10,558.0**	**11,986.0**
Net Income Avail to Common, Adj	**5,481.9**	**5,721.4**	**6,909.1**	**9,307.1**	**11,986.0**
Net Abnormal Losses (Gains)	-137.2	-91.7	-107.9	-1,251.0	0.0
Net Extraordinary Losses (Gains)	0.0	0.0	0.0	0.0	0.0
Basic Weighted Avg Shares	972.0	953.0	952.0	964.0	963.0
Basic EPS, GAAP	**5.78**	**6.10**	**7.37**	**10.95**	**12.45**
Basic EPS from Cont Ops	**5.78**	**6.10**	**7.37**	**10.95**	**12.45**
Basic EPS from Cont Ops, Adjusted	**5.64**	**6.00**	**7.26**	**9.65**	**12.45**

Diluted Weighted Avg Shares	986.0	967.0	968.0	985.0	983.0
Diluted EPS, GAAP	**5.70**	**6.01**	**7.25**	**10.72**	**12.19**
Diluted EPS from Cont Ops	**5.70**	**6.01**	**7.25**	**10.72**	**12.19**
Diluted EPS from Cont Ops, Adjusted	**5.56**	**5.92**	**7.14**	**9.45**	**12.19**

In Millions of USD 12 Months Ending	FY 2014 12/31/2014	FY 2015 12/31/2015	FY 2016 12/31/2016	FY 2017 12/31/2017	FY 2018 12/31/2018
Market Capitalization	**96,439.9**	**1,12,110.9**	**1,52,358.1**	**2,13,625.7**	**2,39,155.2**
Cash & Equivalents	9,236.0	12,911.0	13,275.0	15,490.0	14,324.0
Preferred & Other	0.0	-105.0	-97.0	2,057.0	2,623.0
Total Debt	17,406.0	31,965.0	32,970.0	31,692.0	36,554.0
Enterprise Value	**1,04,609.9**	**1,31,059.9**	**1,71,956.1**	**2,31,884.7**	**2,64,008.2**
Revenue, Adj	**1,30,474.0**	**1,57,107.0**	**1,84,840.0**	**2,01,159.0**	**2,26,247.0**
Growth %, YoY	*6.5*	*20.4*	*17.7*	*8.8*	*12.5*
Gross Profit, Adj	**33,015.0**	**37,026.0**	**43,386.0**	**47,011.0**	**53,846.0**
Margin %	*25.3*	*23.6*	*23.5*	*23.4*	*23.8*
EBITDA, Adj	**11,541.0**	**12,573.0**	**14,819.0**	**17,371.0**	**19,772.0**
Margin %	*8.8*	*8.0*	*8.0*	*8.6*	*8.7*
Net Income, Adj	**5,481.9**	**5,721.4**	**6,909.1**	**9,307.1**	**11,986.0**
Margin %	*4.2*	*3.6*	*3.7*	*4.6*	*5.3*
EPS, Adj	**5.56**	**5.92**	**7.14**	**9.45**	**12.19**
Growth %, YoY	*3.3*	*6.4*	*20.7*	*32.4*	*29.0*
Cash from Operations	**8,051.0**	**9,740.0**	**9,795.0**	**13,596.0**	**15,713.0**
Capital Expenditures	**-1,525.0**	**-1,556.0**	**-1,705.0**	**-2,023.0**	**-2,063.0**
Free Cash Flow	**6,526.0**	**8,184.0**	**8,090.0**	**11,573.0**	**13,650.0**

Cigna Corp Financial Statements

In Millions of USD except Per Share 12 Months Ending	FY 2014 12/31/2014	FY 2015 12/31/2015	FY 2016 12/31/2016	FY 2017 12/31/2017	FY 2018 12/31/2018
Revenue	**34,760.0**	**37,819.0**	**39,838.0**	**41,806.0**	**48,650.0**
Other Revenue	34,760.0	37,819.0	39,838.0	41,806.0	48,650.0
Cost of Revenue	6,547.0	7,070.0	26,809.0	27,719.0	32,321.0
Cost of Goods & Services	6,547.0	7,070.0	26,809.0	27,719.0	32,321.0
Gross Profit	**28,213.0**	**30,749.0**	**13,029.0**	**14,087.0**	**16,329.0**
Other Operating Income	0.0	0.0	0.0	0.0	0.0
Operating Expenses	24,797.0	27,061.0	9,735.0	10,019.0	11,519.0
Selling, General & Admin	—	—	9,750.0	9,901.0	11,161.0
Research & Development	0.0	0.0	0.0	0.0	0.0

Depreciation & Amortization	393.0	143.0	—	—	—
Other Operating Expense	24,404.0	26,918.0	-15.0	118.0	358.0
Operating Income (Loss)	**3,416.0**	**3,688.0**	**3,294.0**	**4,068.0**	**4,810.0**
Non-Operating (Income) Loss	265.0	252.0	154.0	123.0	290.0
Interest Expense, Net	—	—	278.0	252.0	498.0
Interest Expense	*265.0*	*252.0*	*278.0*	*252.0*	*498.0*
Interest Income	—	—	*0.0*	*0.0*	*0.0*
Foreign Exch (Gain) Loss	0.0	0.0	0.0	0.0	0.0
(Income) Loss from Affiliates	0.0	0.0	—	—	—
Other Non-Op (Income) Loss	0.0	0.0	-124.0	-129.0	-208.0
Pretax Income (Loss), Adjusted	**3,151.0**	**3,436.0**	**3,140.0**	**3,945.0**	**4,520.0**
Abnormal Losses (Gains)	-153.0	109.0	161.0	339.0	939.0
Merger/Acquisition Expense	—	66.0	166.0	126.0	852.0
Early Extinguishment of Debt	—	100.0	—	321.0	—
Legal Settlement	—	—	40.0	—	25.0
Restructuring	—	—	—	—	—
Sale of Investments	-154.0	-57.0	-169.0	-237.0	124.0
Insurance Settlement	—	—	—	—	—
Other Abnormal Items	1.0	—	124.0	129.0	-62.0
Pretax Income (Loss), GAAP	**3,304.0**	**3,327.0**	**2,979.0**	**3,606.0**	**3,581.0**
Income Tax Expense (Benefit)	1,210.0	1,250.0	1,136.0	1,374.0	935.0
Current Income Tax	1,232.0	1,229.0	1,062.0	1,132.0	1,036.0
Deferred Income Tax	-22.0	21.0	74.0	242.0	-101.0
Tax Allowance/Credit	—	—	—	—	—
Income (Loss) from Cont Ops	**2,094.0**	**2,077.0**	**1,843.0**	**2,232.0**	**2,646.0**
Net Extraordinary Losses (Gains)	0.0	0.0	0.0	0.0	0.0
Discontinued Operations	0.0	0.0	0.0	0.0	0.0
XO & Accounting Changes	0.0	0.0	0.0	0.0	0.0
Income (Loss) Incl. MI	**2,094.0**	**2,077.0**	**1,843.0**	**2,232.0**	**2,646.0**
Minority Interest	-8.0	-17.0	-24.0	-5.0	9.0
Net Income, GAAP	**2,102.0**	**2,094.0**	**1,867.0**	**2,237.0**	**2,637.0**
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Other Adjustments	0.0	0.0	0.0	0.0	0.0
Net Income Avail to Common, GAAP	**2,102.0**	**2,094.0**	**1,867.0**	**2,237.0**	**2,637.0**

In Millions of USD except Per Share 12 Months Ending	FY 2014 12/31/2014	FY 2015 12/31/2015	FY 2016 12/31/2016	FY 2017 12/31/2017	FY 2018 12/31/2018
Total Assets					
Cash, Cash Equivalents & STI	3,210.0	3,958.0	5,911.0	5,108.0	5,900.0
Cash & Cash Equivalents	1,420.0	1,968.0	3,185.0	2,972.0	3,855.0
ST Investments	1,790.0	1,990.0	2,726.0	2,136.0	2,045.0
Accounts & Notes Receiv	2,757.0	3,694.0	3,077.0	3,155.0	10,473.0

Accounts Receivable, Net	—	—	—	3,155.0	10,473.0
Inventories	0.0	0.0	0.0	228.0	2,821.0
Raw Materials	0.0	0.0	0.0	—	—
Work In Process	0.0	0.0	0.0	—	—
Finished Goods	0.0	0.0	0.0	—	—
Other Inventory	0.0	0.0	0.0	—	—
Other ST Assets	0.0	0.0	0.0	820.0	1,236.0
Derivative & Hedging Assets	—	—	0.0	0.0	0.0
Misc ST Assets	0.0	0.0	0.0	820.0	1,236.0
Total Current Assets	**5,967.0**	**7,652.0**	**8,988.0**	**9,311.0**	**20,430.0**
Property, Plant & Equip, Net	1,502.0	1,534.0	1,536.0	1,563.0	4,562.0
Property, Plant & Equip	3,931.0	4,016.0	4,315.0	4,613.0	7,958.0
Accumulated Depreciation	2,429.0	2,482.0	2,779.0	3,050.0	3,396.0
LT Investments & Receivables	22,552.0	22,723.0	24,089.0	26,483.0	26,929.0
LT Investments	20,471.0	20,859.0	22,423.0	26,483.0	26,929.0
LT Receivables	2,081.0	1,864.0	1,666.0	—	—
Other LT Assets	25,849.0	25,179.0	24,747.0	24,402.0	1,01,305.0
Total Intangible Assets	7,557.0	7,505.0	7,337.0	6,509.0	83,508.0
Goodwill	*5,989.0*	*6,019.0*	*5,980.0*	*6,164.0*	*44,505.0*
Other Intangible Assets	*1,568.0*	*1,486.0*	*1,357.0*	*345.0*	*39,003.0*
Deferred Tax Assets	293.0	379.0	304.0	39.0	0.0
Derivative & Hedging Assets	—	—	10.0	2.0	53.0
Misc LT Assets	17,999.0	17,295.0	17,096.0	17,852.0	17,744.0
Total Noncurrent Assets	**49,903.0**	**49,436.0**	**50,372.0**	**52,448.0**	**1,32,796.0**
Total Assets	**55,870.0**	**57,088.0**	**59,360.0**	**61,759.0**	**1,53,226.0**
Liabilities & Shareholders' Equity					
Payables & Accruals	12,844.0	13,422.0	13,863.0	4,452.0	22,139.0
Accounts Payable	2,180.0	2,355.0	2,532.0	489.0	15,068.0
Accrued Taxes	—	—	—	—	—
Interest & Dividends Payable	—	—	—	—	—
Other Payables & Accruals	10,664.0	11,067.0	11,331.0	3,963.0	7,071.0
ST Debt	147.0	149.0	276.0	240.0	2,955.0
ST Borrowings	125.0	126.0	255.0	231.0	2,938.0
ST Capital Leases	22.0	23.0	21.0	9.0	17.0
Current Portion of LT Debt	—	—	—	—	—
Other ST Liabilities	18,693.0	18,551.0	18,740.0	6,317.0	6,801.0
Deferred Revenue	621.0	629.0	634.0	6,317.0	6,801.0
Derivatives & Hedging	—	—	0.0	0.0	0.0
Misc ST Liabilities	18,072.0	17,922.0	18,106.0	0.0	0.0
Total Current Liabilities	**31,684.0**	**32,122.0**	**32,879.0**	**11,009.0**	**31,895.0**
LT Debt	4,979.0	5,020.0	4,756.0	5,199.0	39,523.0
LT Borrowings	4,942.0	4,995.0	4,736.0	5,190.0	39,490.0

LT Capital Leases	37.0	25.0	20.0	9.0	33.0
Other LT Liabilities	8,328.0	7,833.0	7,940.0	31,791.0	40,736.0
Accrued Liabilities	0.0	0.0	0.0	0.0	0.0
Pension Liabilities	1,100.0	953.0	911.0	688.0	590.0
Pensions	*1,100.0*	*953.0*	*911.0*	*688.0*	*590.0*
Other Post-Ret Benefits	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Deferred Revenue	0.0	0.0	0.0	20,530.0	19,974.0
Deferred Tax Liabilities	—	—	0.0	0.0	9,453.0
Derivatives & Hedging	—	—	5.0	25.0	10.0
Misc LT Liabilities	7,228.0	6,880.0	7,024.0	10,548.0	10,709.0
Total Noncurrent Liabilities	**13,307.0**	**12,853.0**	**12,696.0**	**36,990.0**	**80,259.0**
Total Liabilities	**44,991.0**	**44,975.0**	**45,575.0**	**47,999.0**	**1,12,154.0**
Preferred Equity and Hybrid Capital	0.0	0.0	0.0	0.0	0.0
Share Capital & APIC	2,843.0	2,933.0	2,966.0	3,014.0	27,755.0
Common Stock	74.0	74.0	74.0	74.0	4.0
Additional Paid in Capital	2,769.0	2,859.0	2,892.0	2,940.0	27,751.0
Treasury Stock	1,422.0	1,769.0	1,716.0	4,021.0	104.0
Retained Earnings	10,289.0	12,121.0	13,855.0	15,800.0	15,088.0
Other Equity	-936.00	-1,250.00	-1,382.00	-1,082.00	-1,711.00
Equity Before Minority Interest	**10,774.0**	**12,035.0**	**13,723.0**	**13,711.0**	**41,028.0**
Minority/Non Controlling Interest	105.0	78.0	62.0	49.0	44.0
Total Equity	**10,879.0**	**12,113.0**	**13,785.0**	**13,760.0**	**41,072.0**
Total Liabilities & Equity	**55,870.0**	**57,088.0**	**59,360.0**	**61,759.0**	**1,53,226.0**

Humana Inc – Financial Statements

In Millions of USD except Per Share 12 Months Ending	FY 2014 12/31/2014	FY 2015 12/31/2015	FY 2016 12/31/2016	FY 2017 12/31/2017	FY 2018 12/31/2018
Revenue	**48,520.0**	**54,143.0**	**54,283.0**	**53,767.0**	**56,912.0**
Sales & Services Revenue	2,164.0	1,406.0	969.0	982.0	1,457.0
Other Revenue	46,356.0	52,737.0	53,314.0	52,785.0	55,455.0
Cost of Revenue	38,166.0	44,269.0	45,007.0	43,496.0	45,882.0
Cost of Goods & Services	38,166.0	44,269.0	45,007.0	43,496.0	45,882.0
Gross Profit	**10,354.0**	**9,874.0**	**9,276.0**	**10,271.0**	**11,030.0**
Other Operating Income	0.0	0.0	0.0	0.0	0.0
Operating Expenses	8,012.0	7,328.0	6,926.0	6,990.0	8,004.0
Selling, General & Admin	—	—	—	—	—
Research & Development	0.0	0.0	0.0	0.0	—
Depreciation & Amortization	333.0	355.0	354.0	378.0	405.0

Other Operating Expense	7,679.0	6,973.0	6,572.0	6,612.0	7,599.0
Operating Income (Loss)	**2,342.0**	**2,546.0**	**2,350.0**	**3,281.0**	**3,026.0**
Non-Operating (Income) Loss	155.0	332.0	-298.0	239.0	341.0
Interest Expense, Net	192.0	186.0	189.0	242.0	218.0
Interest Expense	*192.0*	*186.0*	*189.0*	*242.0*	*218.0*
Interest Income	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Foreign Exch (Gain) Loss	0.0	0.0	0.0	0.0	0.0
Other Non-Op (Income) Loss	-37.0	146.0	-487.0	-3.0	123.0
Pretax Income (Loss), Adjusted	**2,187.0**	**2,214.0**	**2,648.0**	**3,042.0**	**2,685.0**
Abnormal Losses (Gains)	17.0	-217.0	1,096.0	-978.0	622.0
Merger/Acquisition Expense	—	23.0	104.0	-936.0	—
Early Extinguishment of Debt	37.0	—	—	17.0	—
Asset Write-Down	—	—	—	—	—
Gain/Loss on Sale/Acquisition of Business	—	-270.0	—	—	786.0
Legal Settlement	—	—	—	—	—
Restructuring	—	—	—	-45.0	-74.0
Sale of Investments	—	-146.0	-96.0	-14.0	-90.0
Other Abnormal Items	-20.0	176.0	1,088.0	—	—
Pretax Income (Loss), GAAP	**2,170.0**	**2,431.0**	**1,552.0**	**4,020.0**	**2,063.0**
Income Tax Expense (Benefit)	1,023.0	1,155.0	938.0	1,572.0	391.0
Current Income Tax	1,087.0	1,157.0	1,009.0	1,440.0	197.0
Deferred Income Tax	-64.0	-2.0	-71.0	132.0	194.0
Tax Allowance/Credit	—	—	—	—	—
(Income) Loss from Affiliates	—	—	—	—	-11.0
Income (Loss) from Cont Ops	**1,147.0**	**1,276.0**	**614.0**	**2,448.0**	**1,683.0**
Net Extraordinary Losses (Gains)	0.0	0.0	0.0	0.0	0.0
Discontinued Operations	0.0	0.0	0.0	0.0	0.0
XO & Accounting Changes	0.0	0.0	0.0	0.0	0.0
Income (Loss) Incl. MI	**1,147.0**	**1,276.0**	**614.0**	**2,448.0**	**1,683.0**
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Income, GAAP	**1,147.0**	**1,276.0**	**614.0**	**2,448.0**	**1,683.0**
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Other Adjustments	0.0	0.0	0.0	0.0	0.0
Net Income Avail to Common, GAAP	**1,147.0**	**1,276.0**	**614.0**	**2,448.0**	**1,683.0**
Net Income Avail to Common, Adj	**1,157.4**	**1,076.8**	**1,333.4**	**1,614.9**	**2,174.4**
Net Abnormal Losses (Gains)	10.4	-199.2	719.4	-833.1	491.4
Net Extraordinary Losses (Gains)	0.0	0.0	0.0	0.0	0.0
Basic Weighted Avg Shares	154.2	149.5	149.4	144.5	137.5
Basic EPS, GAAP	**7.44**	**8.54**	**4.11**	**16.94**	**12.24**
Basic EPS from Cont Ops	**7.44**	**8.54**	**4.11**	**16.94**	**12.24**

Basic EPS from Cont Ops, Adjusted	**7.51**	**7.20**	**8.93**	**11.18**	**15.82**
Diluted Weighted Avg Shares	155.9	151.1	150.9	145.6	138.4
Diluted EPS, GAAP	**7.36**	**8.44**	**4.07**	**16.81**	**12.16**
Diluted EPS from Cont Ops	**7.36**	**8.44**	**4.07**	**16.81**	**12.16**
Diluted EPS from Cont Ops, Adjusted	**7.43**	**7.12**	**8.84**	**11.09**	**15.71**

In Millions of USD except Per Share 12 Months Ending	FY 2014 12/31/2014	FY 2015 12/31/2015	FY 2016 12/31/2016	FY 2017 12/31/2017	FY 2018 12/31/2018
Revenue	**48,500.0**	**54,289.0**	**54,379.0**	**53,767.0**	**56,912.0**
Retail	39,588.0	41,735.0	43,319.0	44,726.0	48,255.0
Healthcare Services	20,200.0	23,776.0	25,312.0	23,958.0	23,811.0
Group	7,320.0	7,542.0	7,386.0	7,449.0	7,679.0
Other Businesses	120.0	125.0	114.0	130.0	136.0
Individual Commercial	—	3,943.0	3,069.0	951.0	8.0
Eliminations/Corporate	-18,728.0	-22,832.0	-24,821.0	-23,447.0	-22,977.0
Government	—	—	—	—	—
Premiums	—	—	—	—	—
Medicaid	—	—	—	—	—
Military services	—	—	—	—	—
Medicare	—	—	—	—	—
Medicare Stand-Alone PDP	—	—	—	—	—
Medicare Advantage	—	—	—	—	—
Administrative Services Fees	—	—	—	—	—
Investment and Other Income	—	—	—	—	—
Mail Order Pharmacy and Other	—	—	—	—	—
Investment Income	—	—	—	—	—
Commercial	—	—	—	—	—
Administrative Services Fees	—	—	—	—	—
Investment and Other Income	—	—	—	—	—
Investment Income	—	—	—	—	—
Mail Order Pharmacy and Other	—	—	—	—	—
Premiums	—	—	—	—	—
Specialty	—	—	—	—	—
Fully Insured	—	—	—	—	—
PPO	—	—	—	—	—
HMO	—	—	—	—	—
Operating Income	**2,362.0**	**2,347.0**	**1,741.0**	**4,262.0**	**3,100.0**
Retail	1,339.0	1,259.0	1,690.0	1,978.0	1,733.0

Healthcare Services	738.0	1,022.0	1,096.0	967.0	743.0
Group	151.0	321.0	344.0	412.0	361.0
Eliminations/Corporate	133.0	154.0	0.0	725.0	136.0
Individual Commercial	—	-433.0	-869.0	193.0	74.0
Other Businesses	1.0	24.0	-520.0	-13.0	53.0
Government	—	—	—	—	—
Commercial	—	—	—	—	—
Pretax Income	**2,170.0**	**2,431.0**	**1,552.0**	**4,020.0**	**2,063.0**
Retail	1,339.0	1,259.0	1,690.0	1,978.0	1,733.0
Healthcare Services	738.0	1,022.0	1,096.0	967.0	743.0
Group	151.0	321.0	344.0	412.0	361.0
Individual Commercial	—	-433.0	-869.0	193.0	74.0
Other Businesses	1.0	24.0	-520.0	-13.0	53.0
Eliminations/Corporate	-59.0	238.0	-189.0	483.0	-901.0
Goodwill	**3,231.0**	**3,265.0**	**3,272.0**	**3,281.0**	**3,897.0**
Healthcare Services	1,777.0	1,811.0	1,952.0	1,961.0	2,101.0
Retail	1,069.0	1,069.0	1,059.0	1,059.0	1,535.0
Group	385.0	385.0	261.0	261.0	261.0
Other Businesses	—	—	—	—	—
Government	—	—	—	—	—
Commercial	—	—	—	—	—
Depreciation and Amortization	**333.0**	**355.0**	**354.0**	**378.0**	**405.0**
Retail	165.0	157.0	196.0	238.0	270.0
Healthcare Services	155.0	156.0	143.0	143.0	163.0
Group	103.0	84.0	82.0	84.0	88.0
Other Businesses	0.0	0.0	1.0	0.0	0.0
Individual Commercial	—	31.0	36.0	13.0	0.0
Eliminations/Corporate	-90.0	-73.0	-104.0	-100.0	-116.0
Benefit Ratio	**83.00**	**84.50**	**192.60**	**140.40**	**83.50**
Consolidated	83.00	84.50	84.90	83.00	83.50
Retail	84.90	86.70	85.10	85.60	85.10
Group	79.50	80.20	78.20	79.20	79.70
Other Businesses	—	—	—	—	—
Government	—	—	—	—	—
Commercial	—	—	—	—	—
Individual Commercial	—	—	107.70	57.40	0.00
Operating Cost Ratio	**15.90**	**13.60**	**13.30**	**33.50**	**13.30**
Consolidated	15.90	13.60	13.30	12.30	13.30
Healthcare Services	95.60	95.20	95.20	95.50	96.30
Group	26.50	24.00	23.50	21.40	23.60

Retail	11.60	11.20	10.80	9.60	11.10
Other Businesses	—	—	—	—	—
Individual Commercial	—	—	—	21.20	0.00
Medical Membership	**1,38,41,700.00**	**1,42,22,800.00**	**1,42,30,200.00**	**1,40,03,100.00**	**1,65,76,700.00**
Retail	83,76,500.00	92,26,800.00	87,51,300.00	92,06,300.00	91,61,500.00
Group	54,30,200.00	49,63,400.00	47,93,300.00	46,38,200.00	74,15,200.00
Other Businesses	35,000.00	32,600.00	30,800.00	29,800.00	0.00
Individual Commercial	—	—	6,54,800.00	1,28,800.00	0.00
Government	—	—	—	—	—
Commercial	—	—	—	—	—

Anthem Inc. Financial Statements

In Millions of USD except Per Share 12 Months Ending	FY 2014 12/31/2014	FY 2015 12/31/2015	FY 2016 12/31/2016	FY 2017 12/31/2017	FY 2018 12/31/2018
Revenue	**73,746.1**	**79,230.6**	**84,973.5**	**89,927.7**	**92,311.0**
Sales & Services Revenue	4,590.6	4,976.6	5,298.8	5,380.4	5,920.0
Other Revenue	69,155.5	74,254.0	79,674.7	84,547.3	86,391.0
Cost of Revenue	56,854.9	61,116.9	66,834.4	72,236.2	71,895.0
Cost of Goods & Services	56,854.9	61,116.9	66,834.4	72,236.2	71,895.0
Gross Profit	**16,891.2**	**18,113.7**	**18,139.1**	**17,691.5**	**20,416.0**
Other Operating Income	0.0	0.0	0.0	0.0	0.0
Operating Expenses	11,963.1	12,477.3	12,342.4	12,267.8	14,351.0
Selling, General & Admin	11,748.4	12,534.8	12,557.9	12,649.6	14,020.0
Selling & Marketing	*1,490.1*	*1,441.1*	*1,391.5*	*1,395.5*	—
General & Administrative	*10,258.3*	*11,093.7*	*11,166.4*	*11,254.1*	—
Research & Development	0.0	0.0	0.0	0.0	0.0
Other Operating Expense	214.7	-57.5	-215.5	-381.8	331.0
Operating Income (Loss)	**4,928.1**	**5,636.4**	**5,796.7**	**5,423.7**	**6,065.0**
Non-Operating (Income) Loss	600.7	653.0	723.0	739.0	753.0
Interest Expense, Net	—	—	—	739.0	753.0
Interest Expense	*600.7*	*653.0*	*723.0*	*739.0*	*753.0*
Interest Income	—	—	—	*0.0*	*0.0*
Foreign Exch (Gain) Loss	0.0	0.0	0.0	0.0	0.0
Other Non-Op (Income) Loss	0.0	0.0	0.0	0.0	0.0
Pretax Income (Loss), Adjusted	**4,327.4**	**4,983.4**	**5,073.7**	**4,684.7**	**5,312.0**
Abnormal Losses (Gains)	-40.7	352.4	518.3	720.9	244.0
Merger/Acquisition Expense	—	103.0	321.1	165.9	9.0
Disposal of Assets	-1.7	16.0	4.5	13.0	13.0
Early Extinguishment of Debt	81.1	-9.3	—	282.4	11.0
Asset Write-Down	7.9	1.8	44.8	2.5	5.0
Impairment of Goodwill	—	—	—	—	—

Impairment of Intangibles	—	—	—	—	—
Gain/Loss on Sale/Acquisition of Business	—	—	—	—	—
Legal Settlement	—	—	—	115.0	—
Restructuring	—	—	—	—	—
Sale of Investments	-177.0	157.5	-4.9	-144.8	180.0
Other Abnormal Items	49.0	83.4	152.8	286.9	26.0
Pretax Income (Loss), GAAP	**4,368.1**	**4,631.0**	**4,555.4**	**3,963.8**	**5,068.0**
Income Tax Expense (Benefit)	1,808.0	2,071.0	2,085.6	121.0	1,318.0
Current Income Tax	1,695.2	2,129.6	1,956.5	1,395.4	1,206.0
Deferred Income Tax	112.8	-58.6	129.1	-1,274.4	112.0
Income (Loss) from Cont Ops	**2,560.1**	**2,560.0**	**2,469.8**	**3,842.8**	**3,750.0**
Net Extraordinary Losses (Gains)	-9.6	0.0	0.0	0.0	0.0
Discontinued Operations	-9.6	0.0	0.0	0.0	0.0
XO & Accounting Changes	0.0	0.0	0.0	0.0	0.0
Income (Loss) Incl. MI	**2,569.7**	**2,560.0**	**2,469.8**	**3,842.8**	**3,750.0**
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Income, GAAP	**2,569.7**	**2,560.0**	**2,469.8**	**3,842.8**	**3,750.0**
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Other Adjustments	0.0	0.0	0.0	0.0	0.0
Net Income Avail to Common, GAAP	**2,569.7**	**2,560.0**	**2,469.8**	**3,842.8**	**3,750.0**
Net Income Avail to Common, Adj	**2,525.1**	**2,905.6**	**2,847.4**	**3,126.5**	**3,938.0**
Net Abnormal Losses (Gains)	-35.0	345.6	377.6	-716.3	188.0
Net Extraordinary Losses (Gains)	-9.6	0.0	0.0	0.0	0.0
Basic Weighted Avg Shares	275.9	263.0	262.9	261.5	258.1
Basic EPS, GAAP	**9.31**	**9.73**	**9.39**	**14.70**	**14.53**
Basic EPS from Cont Ops	**9.28**	**9.73**	**9.39**	**14.70**	**14.53**
Basic EPS from Cont Ops, Adjusted	**9.15**	**11.05**	**10.83**	**11.96**	**15.26**
Diluted Weighted Avg Shares	285.9	272.9	268.1	267.8	264.2
Diluted EPS, GAAP	**8.99**	**9.38**	**9.21**	**14.35**	**14.19**
Diluted EPS from Cont Ops	**8.96**	**9.38**	**9.21**	**14.35**	**14.19**
Diluted EPS from Cont Ops, Adjusted	**8.84**	**10.65**	**10.62**	**11.67**	**14.90**
In Millions of USD except Per Share	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
12 Months Ending	**12/31/2014**	**12/31/2015**	**12/31/2016**	**12/31/2017**	**12/31/2018**
Total Assets					
Cash, Cash Equivalents & STI	**21,545.9**	**20,494.4**	**22,722.7**	**24,602.6**	**22,140.0**
Cash & Cash Equivalents	**2,151.7**	**2,113.5**	**4,075.3**	**3,608.9**	**3,934.0**
ST Investments	**19,394.2**	**18,380.9**	**18,647.4**	**20,993.7**	**18,206.0**
Accounts & Notes Receiv	**4,825.5**	**4,602.8**	**5,860.8**	**6,184.9**	**6,743.0**

Inventories	0.0	0.0	0.0	0.0	0.0
Raw Materials	0.0	0.0	0.0	0.0	0.0
Work In Process	0.0	0.0	0.0	0.0	0.0
Finished Goods	0.0	0.0	0.0	0.0	0.0
Other Inventory	0.0	0.0	0.0	0.0	0.0
Other ST Assets	5,576.4	5,764.9	5,731.4	5,475.3	5,438.0
Derivative & Hedging Assets	0.0	0.0	0.0	0.0	0.0
Assets Held-for-Sale	—	—	—	—	—
Deferred Tax Assets	—	—	—	—	—
Taxes Receivable	308.9	316.6	168.7	341.9	10.0
Misc ST Assets	5,267.5	5,448.3	5,562.7	5,133.4	5,428.0
Total Current Assets	31,947.8	30,862.1	34,314.9	36,262.8	34,321.0
Property, Plant & Equip, Net	1,944.3	2,019.8	1,977.9	2,174.9	2,735.0
Property, Plant & Equip	3,764.8	4,058.4	4,139.9	4,372.5	5,548.0
Accumulated Depreciation	1,820.5	2,038.6	2,162.0	2,197.6	2,813.0
LT Investments & Receivables	2,231.8	2,072.1	2,271.9	3,937.4	4,246.0
LT Investments	2,231.8	2,072.1	2,271.9	3,937.4	4,246.0
LT Marketable Securities	—	—	—	—	—
Other LT Assets	25,552.4	26,763.8	26,518.4	28,164.9	30,269.0
Total Intangible Assets	25,040.1	25,720.2	25,526.1	27,599.6	29,511.0
Goodwill	17,082.0	17,562.2	17,561.2	19,231.2	20,504.0
Other Intangible Assets	7,958.1	8,158.0	7,964.9	8,368.4	9,007.0
Derivative & Hedging Assets	313.1	159.1	665.9	1.5	2.0
Prepaid Pension Costs	146.3	103.4	126.7	202.0	134.0
Misc LT Assets	52.9	781.1	199.7	361.8	622.0
Total Noncurrent Assets	29,728.5	30,855.7	30,768.2	34,277.2	37,250.0
Total Assets	61,676.3	61,717.8	65,083.1	70,540.0	71,571.0
Liabilities & Shareholders' Equity					
Payables & Accruals	10,513.0	10,888.6	11,907.5	13,015.9	12,413.0
Accounts Payable	6,861.2	7,569.8	7,892.6	7,991.5	7,454.0
Accrued Taxes	—	—	—	—	—
Other Payables & Accruals	3,651.8	3,318.8	4,014.9	5,024.4	4,959.0
ST Debt	1,024.3	540.0	1,368.4	2,549.6	1,994.0
ST Borrowings	400.0	540.0	440.0	1,275.0	1,145.0
ST Capital Leases	0.0	0.0	0.0	0.0	0.0
Current Portion of LT Debt	624.3	0.0	928.4	1,274.6	849.0
Other ST Liabilities	7,215.4	7,664.0	8,018.5	7,790.5	7,558.0
Deferred Revenue	1,078.1	1,145.5	971.9	860.3	902.0
Derivatives & Hedging	0.0	0.0	0.0	0.0	0.0
Misc ST Liabilities	6,137.3	6,518.5	7,046.6	6,930.2	6,656.0
Total Current Liabilities	18,752.7	19,092.6	21,294.4	23,356.0	21,965.0
LT Debt	14,019.6	15,324.5	14,358.5	17,382.2	17,217.0

LT Borrowings	**14,019.6**	**15,324.5**	**14,358.5**	**17,382.2**	**17,217.0**
LT Capital Leases	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Other LT Liabilities	**4,652.7**	**4,256.6**	**4,329.8**	**3,298.9**	**3,848.0**
Accrued Liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Pension Liabilities	**370.1**	**311.3**	**293.5**	**224.6**	**148.0**
Deferred Revenue	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Deferred Tax Liabilities	**2,945.6**	**2,630.6**	**2,779.9**	**1,726.5**	**1,960.0**
Derivatives & Hedging	**477.1**	**259.4**	**149.1**	**19.9**	**3.0**
Misc LT Liabilities	**859.9**	**1,055.3**	**1,107.3**	**1,327.9**	**1,737.0**
Total Noncurrent Liabilities	**18,672.3**	**19,581.1**	**18,688.3**	**20,681.1**	**21,065.0**
Total Liabilities	**37,425.0**	**38,673.7**	**39,982.7**	**44,037.1**	**43,030.0**
Preferred Equity and Hybrid Capital	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Share Capital & APIC	**10,065.0**	**8,558.2**	**8,807.7**	**8,550.0**	**9,539.0**
Common Stock	**2.7**	**2.6**	**2.6**	**2.6**	**3.0**
Additional Paid in Capital	**10,062.3**	**8,555.6**	**8,805.1**	**8,547.4**	**9,536.0**
Treasury Stock	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Retained Earnings	**14,014.4**	**14,778.5**	**16,560.6**	**18,054.4**	**19,988.0**
Other Equity	**171.90**	**-292.60**	**-267.90**	**-101.50**	**-986.00**
Equity Before Minority Interest	**24,251.3**	**23,044.1**	**25,100.4**	**26,502.9**	**28,541.0**
Minority/Non Controlling Interest	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total Equity	**24,251.3**	**23,044.1**	**25,100.4**	**26,502.9**	**28,541.0**
Total Liabilities & Equity	**61,676.3**	**61,717.8**	**65,083.1**	**70,540.0**	**71,571.0**

Aetna Inc. Financial Statements

In Millions of USD except Per Share 12 Months Ending	FY 2014 12/31/2014	FY 2015 12/31/2015	FY 2016 12/31/2016	FY 2017 12/31/2017	FY 2018 12/31/2018
Revenue	**73,746.1**	**79,230.6**	**84,973.5**	**89,927.7**	**92,311.0**
Sales & Services Revenue	4,590.6	4,976.6	5,298.8	5,380.4	5,920.0
Other Revenue	69,155.5	74,254.0	79,674.7	84,547.3	86,391.0
Cost of Revenue	56,854.9	61,116.9	66,834.4	72,236.2	71,895.0
Cost of Goods & Services	56,854.9	61,116.9	66,834.4	72,236.2	71,895.0
Gross Profit	**16,891.2**	**18,113.7**	**18,139.1**	**17,691.5**	**20,416.0**
Other Operating Income	0.0	0.0	0.0	0.0	0.0
Operating Expenses	11,963.1	12,477.3	12,342.4	12,267.8	14,351.0
Selling, General & Admin	11,748.4	12,534.8	12,557.9	12,649.6	14,020.0
Selling & Marketing	*1,490.1*	*1,441.1*	*1,391.5*	*1,395.5*	—
General & Administrative	*10,258.3*	*11,093.7*	*11,166.4*	*11,254.1*	—
Research & Development	0.0	0.0	0.0	0.0	0.0
Other Operating Expense	214.7	-57.5	-215.5	-381.8	331.0
Operating Income (Loss)	**4,928.1**	**5,636.4**	**5,796.7**	**5,423.7**	**6,065.0**
Non-Operating (Income) Loss	600.7	653.0	723.0	739.0	753.0

Interest Expense, Net	—	—	—	739.0	753.0
Interest Expense	*600.7*	*653.0*	*723.0*	*739.0*	*753.0*
Interest Income	—	—	—	*0.0*	*0.0*
Foreign Exch (Gain) Loss	0.0	0.0	0.0	0.0	0.0
Other Non-Op (Income) Loss	0.0	0.0	0.0	0.0	0.0
Pretax Income (Loss), Adjusted	**4,327.4**	**4,983.4**	**5,073.7**	**4,684.7**	**5,312.0**
Abnormal Losses (Gains)	-40.7	352.4	518.3	720.9	244.0
Merger/Acquisition Expense	—	103.0	321.1	165.9	9.0
Disposal of Assets	-1.7	16.0	4.5	13.0	13.0
Early Extinguishment of Debt	81.1	-9.3	—	282.4	11.0
Asset Write-Down	7.9	1.8	44.8	2.5	5.0
Impairment of Goodwill	—	—	—	—	—
Impairment of Intangibles	—	—	—	—	—
Gain/Loss on Sale/Acquisition of Business	—	—	—	—	—
Legal Settlement	—	—	—	115.0	—
Restructuring	—	—	—	—	—
Sale of Investments	-177.0	157.5	-4.9	-144.8	180.0
Other Abnormal Items	49.0	83.4	152.8	286.9	26.0
Pretax Income (Loss), GAAP	**4,368.1**	**4,631.0**	**4,555.4**	**3,963.8**	**5,068.0**
Income Tax Expense (Benefit)	1,808.0	2,071.0	2,085.6	121.0	1,318.0
Current Income Tax	1,695.2	2,129.6	1,956.5	1,395.4	1,206.0
Deferred Income Tax	112.8	-58.6	129.1	-1,274.4	112.0
Income (Loss) from Cont Ops	**2,560.1**	**2,560.0**	**2,469.8**	**3,842.8**	**3,750.0**
Net Extraordinary Losses (Gains)	-9.6	0.0	0.0	0.0	0.0
Discontinued Operations	-9.6	0.0	0.0	0.0	0.0
XO & Accounting Changes	0.0	0.0	0.0	0.0	0.0
Income (Loss) Incl. MI	**2,569.7**	**2,560.0**	**2,469.8**	**3,842.8**	**3,750.0**
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Income, GAAP	**2,569.7**	**2,560.0**	**2,469.8**	**3,842.8**	**3,750.0**
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Other Adjustments	0.0	0.0	0.0	0.0	0.0
Net Income Avail to Common, GAAP	**2,569.7**	**2,560.0**	**2,469.8**	**3,842.8**	**3,750.0**
Net Income Avail to Common, Adj	**2,525.1**	**2,905.6**	**2,847.4**	**3,126.5**	**3,938.0**
Net Abnormal Losses (Gains)	-35.0	345.6	377.6	-716.3	188.0
Net Extraordinary Losses (Gains)	-9.6	0.0	0.0	0.0	0.0
Basic Weighted Avg Shares	275.9	263.0	262.9	261.5	258.1
Basic EPS, GAAP	**9.31**	**9.73**	**9.39**	**14.70**	**14.53**
Basic EPS from Cont Ops	**9.28**	**9.73**	**9.39**	**14.70**	**14.53**
Basic EPS from Cont Ops, Adjusted	**9.15**	**11.05**	**10.83**	**11.96**	**15.26**

Diluted Weighted Avg Shares	285.9	272.9	268.1	267.8	264.2
Diluted EPS, GAAP	**8.99**	**9.38**	**9.21**	**14.35**	**14.19**
Diluted EPS from Cont Ops	**8.96**	**9.38**	**9.21**	**14.35**	**14.19**
Diluted EPS from Cont Ops, Adjusted	**8.84**	**10.65**	**10.62**	**11.67**	**14.90**
In Millions of USD except Per Share	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
12 Months Ending	**12/31/2014**	**12/31/2015**	**12/31/2016**	**12/31/2017**	**12/31/2018**
Total Assets					
Cash, Cash Equivalents & STI	**21,545.9**	**20,494.4**	**22,722.7**	**24,602.6**	**22,140.0**
Cash & Cash Equivalents	**2,151.7**	**2,113.5**	**4,075.3**	**3,608.9**	**3,934.0**
ST Investments	**19,394.2**	**18,380.9**	**18,647.4**	**20,993.7**	**18,206.0**
Accounts & Notes Receiv	**4,825.5**	**4,602.8**	**5,860.8**	**6,184.9**	**6,743.0**
Inventories	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Raw Materials	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Work In Process	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Finished Goods	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Other Inventory	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Other ST Assets	**5,576.4**	**5,764.9**	**5,731.4**	**5,475.3**	**5,438.0**
Derivative & Hedging Assets	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Assets Held-for-Sale	**—**	**—**	**—**	**—**	**—**
Deferred Tax Assets	**—**	**—**	**—**	**—**	**—**
Taxes Receivable	**308.9**	**316.6**	**168.7**	**341.9**	**10.0**
Misc ST Assets	**5,267.5**	**5,448.3**	**5,562.7**	**5,133.4**	**5,428.0**
Total Current Assets	**31,947.8**	**30,862.1**	**34,314.9**	**36,262.8**	**34,321.0**
Property, Plant & Equip, Net	**1,944.3**	**2,019.8**	**1,977.9**	**2,174.9**	**2,735.0**
Property, Plant & Equip	**3,764.8**	**4,058.4**	**4,139.9**	**4,372.5**	**5,548.0**
Accumulated Depreciation	**1,820.5**	**2,038.6**	**2,162.0**	**2,197.6**	**2,813.0**
LT Investments & Receivables	**2,231.8**	**2,072.1**	**2,271.9**	**3,937.4**	**4,246.0**
LT Investments	**2,231.8**	**2,072.1**	**2,271.9**	**3,937.4**	**4,246.0**
LT Marketable Securities	**—**	**—**	**—**	**—**	**—**
Other LT Assets	**25,552.4**	**26,763.8**	**26,518.4**	**28,164.9**	**30,269.0**
Total Intangible Assets	**25,040.1**	**25,720.2**	**25,526.1**	**27,599.6**	**29,511.0**
Goodwill	**17,082.0**	**17,562.2**	**17,561.2**	**19,231.2**	**20,504.0**
Other Intangible Assets	**7,958.1**	**8,158.0**	**7,964.9**	**8,368.4**	**9,007.0**
Derivative & Hedging Assets	**313.1**	**159.1**	**665.9**	**1.5**	**2.0**
Prepaid Pension Costs	**146.3**	**103.4**	**126.7**	**202.0**	**134.0**
Misc LT Assets	**52.9**	**781.1**	**199.7**	**361.8**	**622.0**
Total Noncurrent Assets	**29,728.5**	**30,855.7**	**30,768.2**	**34,277.2**	**37,250.0**
Total Assets	**61,676.3**	**61,717.8**	**65,083.1**	**70,540.0**	**71,571.0**
Liabilities & Shareholders' Equity					
Payables & Accruals	**10,513.0**	**10,888.6**	**11,907.5**	**13,015.9**	**12,413.0**
Accounts Payable	**6,861.2**	**7,569.8**	**7,892.6**	**7,991.5**	**7,454.0**

Accrued Taxes	—	—	—	—	—
Other Payables & Accruals	3,651.8	3,318.8	4,014.9	5,024.4	4,959.0
ST Debt	1,024.3	540.0	1,368.4	2,549.6	1,994.0
ST Borrowings	400.0	540.0	440.0	1,275.0	1,145.0
ST Capital Leases	0.0	0.0	0.0	0.0	0.0
Current Portion of LT Debt	624.3	0.0	928.4	1,274.6	849.0
Other ST Liabilities	7,215.4	7,664.0	8,018.5	7,790.5	7,558.0
Deferred Revenue	1,078.1	1,145.5	971.9	860.3	902.0
Derivatives & Hedging	0.0	0.0	0.0	0.0	0.0
Misc ST Liabilities	6,137.3	6,518.5	7,046.6	6,930.2	6,656.0
Total Current Liabilities	18,752.7	19,092.6	21,294.4	23,356.0	21,965.0
LT Debt	14,019.6	15,324.5	14,358.5	17,382.2	17,217.0
LT Borrowings	14,019.6	15,324.5	14,358.5	17,382.2	17,217.0
LT Capital Leases	0.0	0.0	0.0	0.0	0.0
Other LT Liabilities	4,652.7	4,256.6	4,329.8	3,298.9	3,848.0
Accrued Liabilities	0.0	0.0	0.0	0.0	0.0
Pension Liabilities	370.1	311.3	293.5	224.6	148.0
Deferred Revenue	0.0	0.0	0.0	0.0	0.0
Deferred Tax Liabilities	2,945.6	2,630.6	2,779.9	1,726.5	1,960.0
Derivatives & Hedging	477.1	259.4	149.1	19.9	3.0
Misc LT Liabilities	859.9	1,055.3	1,107.3	1,327.9	1,737.0
Total Noncurrent Liabilities	18,672.3	19,581.1	18,688.3	20,681.1	21,065.0
Total Liabilities	37,425.0	38,673.7	39,982.7	44,037.1	43,030.0
Preferred Equity and Hybrid Capital	0.0	0.0	0.0	0.0	0.0
Share Capital & APIC	10,065.0	8,558.2	8,807.7	8,550.0	9,539.0
Common Stock	2.7	2.6	2.6	2.6	3.0
Additional Paid in Capital	10,062.3	8,555.6	8,805.1	8,547.4	9,536.0
Treasury Stock	0.0	0.0	0.0	0.0	0.0
Retained Earnings	14,014.4	14,778.5	16,560.6	18,054.4	19,988.0
Other Equity	171.90	-292.60	-267.90	-101.50	-986.00
Equity Before Minority Interest	24,251.3	23,044.1	25,100.4	26,502.9	28,541.0
Minority/Non Controlling Interest	0.0	0.0	0.0	0.0	0.0
Total Equity	24,251.3	23,044.1	25,100.4	26,502.9	28,541.0
Total Liabilities & Equity	61,676.3	61,717.8	65,083.1	70,540.0	71,571.0