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CRM Implementation Failure at Cigna Corporation

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"Unfortunately, we have not executed well on transformation."[1]

- Patrick Welch, President, Cigna Healthcare, on the implementation of the CRM Systems in 2003.

"They had no clue about what it would take to get all the docs, hospitals, fee schedules and everything loaded on the new systems."[2]

- Former employee of Cigna Healthcare, on the procedure adopted to migrate customer accounts to the new systems, in 2004.

INTRODUCTION

At a press conference in December 2002, the management of Cigna Corporation (Cigna), one of the largest health insurers in the US, announced that problems in their customer database systems had resulted in misquoting their number of customers by an extra 900,000. The beginning of 2002 saw Cigna face problems on many fronts including customer service and profitability. The company's membership fell due to poor customer service and by the end of 2002, the membership was 12.5 million, down from 13.3 million at the end of 2001. For the fiscal year 2002, Cigna reported revenues of US$ 19.34 billion and a net loss of US$ 398 million (Refer Exhibit I for Cigna's consolidated statements of income between 1999 and 2004).

According to analysts, one of the main reasons for Cigna's poor customer service and the resultant reduction in membership was the failure of the restructuring of its information technology (IT) and CRM[3] systems, at its HealthCare division. This US$ 1 billion project was aimed at moving 3.5 million customers of Cigna from the twenty year old computer systems to new AS400 systems that supported claims processing platforms – PowerMHS software and ProClaim software. The project was monitored by the Chief Information Officer (CIO), Andrea Anania (Anania). Despite Anania's confidence in it, the changeover did not go smoothly, encountering several glitches. As a result, customer service went haywire resulting in millions of dissatisfied customers. The company lost six percent of its healthcare members in 2002 alone.

The management of Cigna, during the shareholders' meeting in October 2002, accepted that they had been unsuccessful in executing the project. Cigna's top management analyzed the reasons for the debacle. The reasons cited were: greater than expected cost of implementing the project, and misconceptions about the timing of the economic benefits from the project. Analysts felt that Cigna's example would serve as a classic case of CRM systems' failure in organizations which try to implement new IT systems in excessive haste, in order to realize the economic benefits from them.

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1 Alison Bass, "Cigna's Self Inflicted Wounds," www.cio.com, March 15, 2003.

2 Bonar Menninger, "Cigna's Turnaround," www.healthleaders.com, September 2004.

3 CRM is the method of using integrated information networks to establish and maintain a long-term relationship with customers through personalized customer contacts. CRM records information about customers like transactions, preferences, and even personal information. It then uses software to manage the information to serve specific business purposes and determine future needs of customers.

BACKGROUND NOTE

On March 31, 1982 the Philadelphia-based Insurance Company of North America (INA)[4] and Hartford-based Connecticut General Corporation (CGC)[5] merged their operations to form Cigna. Cigna acted as the holding company with INA and CGC as its chief operating companies, and was headquartered in Philadelphia. Cigna acquired the American Foreign Insurance Association (AFIA)[6] in 1984, becoming one of the largest insurance companies in the world. In the same year, Cigna forayed into the dental healthcare market - the first insurance company in the US to do so. In 1989, Cigna International Financial Services was founded to provide health and life insurance to people living outside the US. During the same year, Cigna acquired the leading mental health care institution, Metropolitan Clinics of Counseling Companies[7]. It was renamed Cigna Behavioral Health, Inc. Cigna also acquired Equicor[8], one of the largest employee-benefits providers in the US in 1990. In February 1998, Cigna's share price crossed US$ 200 for the first time.

At the end of 2000, Cigna sold its property-casualty domestic & international businesses to Bermuda-based ACE Limited[9] in order to focus on its global health, life and pension businesses. It started TimesSquare Capital Management, an independent asset-management company. In 2002, Cigna entered the Chinese life insurance market. As of December 2004, Cigna had three operating divisions – Cigna Group Insurance, Cigna HealthCare and Cigna International. These divisions provided accident & disability insurance, health & life insurance, and retirement & investment services respectively across the US. The company's annual revenues in the fiscal 2004 were US$ 18.2 billion and net income was US$ 1.44 billion.

Cigna HealthCare covered the health maintenance organization (HMO)[10] and indemnity businesses. The division received a major boost with the acquisition of Healthsource Inc. (Healthsource), a New Hampshire-based healthcare company in 1997 for US$ 1.45 billion in cash. With this new acquisition, Cigna was able to generate revenues of US$ 12.6 billion in 1998. Its operating income rose to US$ 617 million, an increase of more than US$ 100 million as compared to that in 1997. The number of customers enrolled under HMO was about 6.5 million by the end of 1998, an 11% increase as compared to the 1997 figures. Cigna HealthCare had alliances with 3100 hospitals and 220,000 physicians under its HMO business.

Cigna HealthCare rendered services through its subsidiaries – Connecticut General Life Insurance Company, Tel-Drug Inc, Cigna Behavioral Health Inc, Intracorp, Cigna Health Corporation and Cigna Dental Health Inc (Refer Exhibit II for various products and services offered by Cigna HealthCare). Cigna HealthCare provided various types of medical, health, dental and pharmacy insurance products to millions of customers across the US (Refer Table I).

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4 INA was founded by a group of US citizens in 1792 in Philadelphia. It was the first company to offer marine insurance cover and insurance cover to buildings against fire in America.

5 CGC was founded in 1865 at Hartford, the capital of Connecticut. It was one of the first companies to start group insurance business.

6 AFIA is an international insurance underwriting association started in 1918 by INA along with representatives from a group of insurance companies in the US. INA left AFIA in 1921. By 1984, AFIA had operations in around 100 major countries including Japan, Thailand, Indonesia, Singapore, Korea, the Philippines, New Zealand, the Mediterranean area, South America, India and Europe.

7 MCC mental-health clinics were founded in Minneapolis in 1974. They offered employee assistance programs to employers.

8 In 1986, Equitable Life Assurance Society and Hospital Corporation of America merged to form Equicor. By 1990, Equicor had emerged as the sixth-largest provider of employee benefits in the US.

9 Established in 1985, ACE Limited is the Bermuda-based holding company of the ACE Group of Companies, one of the world's leading insurance and reinsurance providers. For the year 2004, ACE Limited reported revenues of US$ 12.33 billion.

10 HMO provides pre-paid medical service to its customers through a network of doctors and hospitals. All the members pay monthly premiums and receive coverage for all eligible medical costs. The doctors and hospitals, referred to as service providers, are paid by the insurers.

Table I

Customer Spread across Cigna HealthCare

Cigna HealthCare Program	Number of Customers (Approx.)
Medical coverage through managed care and indemnity	13.3 million
Dental coverage	13.1 million
Mental health coverage	14.1 million

Source: Cigna News Releases & Speeches, www.prnewswire.com, January 23, 2003.

In late 1998, Cigna promoted Anania[11] to the position of Chief Information Officer (CIO) and executive Vice-president of Systems of Cigna's HealthCare, employee benefits and retirement planning divisions. As part of her responsibilities, Anania had to look after the data processing, telecommunications and the development of information technology systems at Cigna. Anania was keen on using IT to improve the efficiency of business operations, thus improving customer satisfaction. Accordingly, in early 1999, she concentrated on improving the efficiency of the IT department at Cigna. The IT department had about 3,000 employees and the working relationships between various divisions with the IT department were poor, resulting in project delays. The application development division and the infrastructure division had very little coordination between them. According to Anania, "They weren't shooting at each other, but it was like the Hatfields and the McCoys."[12] During the same period, she started another project aimed at overhauling the old IT systems at Cigna's HealthCare division; this project also included CRM systems in its scope.

IMPLEMENTING CRM SYSTEMS

In 1999, Cigna HealthCare was operating with IT systems that were nearly two decades old and were clearly outdated. It had separate units for membership (enrollment), processing the medical claims and verifying customer eligibility. The customer information pertaining to medical claims was spread across 15 distinct IT systems, all of which were more than 15 years old. The eligibility database was managed by another 15 old systems. The claims and eligibility information systems were not inter-connected. Hence, separate bills were being produced for each product across each division. Customer service representatives found it difficult to process the 120 million claims per year that Cigna HealthCare received using the old and disintegrated information system (Refer Table II for details of service providers). Further, a number of doctors complained that Cigna's old and inefficient processing system delayed the payment of their medical benefits claims.[13]

Table II

Service Providers of Cigna HMO and PPO Businesses

Service Providers	Numbers (Approx.)
Primary and specialty care physicians (PPO)	450,000
Primary and specialty care physicians (HMO)	285,000

[11] Anania joined Cigna in 1995 as information systems officer for Cigna Retirement & Investment Services.

[12] "Getting in Synch and Staying There," www.cio.com, October 2001.

[13] According to the prompt pay law of Georgia State, health insurers should pay the undisputed medical benefits claims of doctors, hospitals and other health service providers within 15 working days of receipt. In case of any delay, the insurer should send a notice outlining the reasons for the delay. If further unwanted delay was made, the HMO should pay 18% interest to the plaintiff.

Service Providers	Numbers (Approx.)
Network hospitals for HMO members	3,600
Network dentists	52,000
Participating behavioral health care providers	36,000
Network laboratories	28,000
Network pharmacies	48,500
Alternative health care providers	15,000

Source: www.cwheroes.org.

To rectify the problems, Anania planned to consolidate the information residing on a number of disparate IT systems and develop an integrated system that could handle customer transactions like sales, enrollment, customer claims processing, billing, etc. The integrated system would 1) generate one bill across products and divisions, 2) process the medical claims of customers, 3) provide case histories of all the customers to the customer service representatives and 4) facilitate exchange of information with customers. The main aim was to render consistent and quality service to all customers nation-wide.

Anania planned to develop two such integrated systems – one for the HMO business and another for its indemnity business. Using an integrated care management system (ICMS)[14], she planned to replace 12 varied utilization management systems with one national Care Management Tool that would enable Cigna to provide consistent and quality healthcare services. Anania also wanted to remove the numerous existing toll-free telephone numbers and establish a national toll-free number. She also wanted to use Electronic Data Interchange (EDI) to receive and update claims made via Internet.

When Anania announced her plans, analysts wondered why such an important decision had come so late. Anania did not consult professional business solutions providers for designing the IT systems architecture required for transformation. Instead, she pooled 1400 employees from Cigna's IT department and formed a team. Both experienced program managers and newly hired employees formed a part of Anania's team. For the implementation of the transformation, leading business consultant Cap Gemini Ernst & Young[15] (CGE&Y) was called in. CGE&Y implemented Accelerated Solution Environment (ASE) tools to help enhance decision making, and to expedite the overall program delivery.

Anania and her team planned to deploy two platforms and then connect them to each other for processing. In this way, the front-end application[16] of claims and eligibility would be integrated with the back-end applications like banking and billing. The aim was to speed up the processing of 120 million medical claims without much human intervention. Anania and her team started building the AS400[17] infrastructure needed to support platforms for claims processing. These included PowerMHS software, which already ran on AS400 computers, and ProClaim software, which ran on IBM mainframes. PowerMHS software was to be used to support claims of managed care while ProClaim software was to be used for indemnity claims. However, the team found that

[14] ICMS is a system that provides health organizations with tools for planning and developing cost effective care for customers.

[15] Cap Gemini Ernst & Young is one of the leading business consulting and IT service firms. Cap Gemini acquired almost all the businesses of Ernst & Young in 2000.

[16] Front-end and back-end are program interfaces and are relative to the initial user of these interfaces. A user directly interacts with a front-end application while the back-end application supports the front-end application.

[17] AS400 computer was first manufactured by IBM Corporation in 1988.

they could not connect the platforms as they were quite different from each other. Hence, they had to refurbish the back-end systems completely. Commenting on the problem in hand, Anania said, "We had to develop our own wrapper architecture to connect these two platforms and integrate claims eligibility on the front end with banking and billing on the back end, (and for that) we had to completely reengineer the back-end systems."[18]

Meanwhile, in May 2000, a number of physicians filed a class-action lawsuit[19] against Cigna and other insurance companies like Aetna and United Healthcare for delays in claims payments. The lawsuit, filed in the Illinois state court, charged Cigna with breach of contract, unjust enrichment, and violations of various state prompt-pay statutes. In October 2000, the customers in the states of Georgia and Virginia were moved by Cigna to the new platforms. The migration process had some initial hiccups which were rectified immediately.

On January 29, 2001, the Insurance Commissioner of Georgia, John W. Oxendine, imposed a heavy fine of US$ 300,000[20] on Cigna because of delays in payments of medical claim benefits to doctors. Joy Maxey, President of the Medical Association of Georgia said. "Cigna is a notoriously poor insurer in terms of levels of payments, as well as prompt payment to providers." Along with the fine, believed to be one of the largest fines against an HMO, the Insurance Commissioner ordered Cigna to improve its claims processing system to ensure there would be no further delays in payments. A Cigna spokesperson said that the claims processing system was being reformed and was expected to be completed in the first half of 2002. Cigna also signed a consent order vowing to solve all problems in its processing systems.

Anania decided to move customers to the two new platforms in small groups, with around 10,000 customers per group. The nationwide migration program was started in July 2001. In October 2001, Anania spoke about the restructuring of the IT systems at the healthcare division, during a press conference. Assuming that the new systems would improve business efficiency and reduce costs immediately, Cigna began laying off several customer service representatives, who they believed would soon have no work to do. Another reason for the lay offs was the poor financial performance of the company. For the second quarter ended June 2001, Cigna had reported a six percent fall in its revenues to US$ 4.66 billion as compared to the revenues of US$ 4.97 billion reported in the second quarter of June 2000.

During 2002, Cigna began to lay off employees at its service centers. In their effort to generate more sales, the sales persons of Cigna promised customers that the new IT systems would be ready by early 2002 and would facilitate efficient customer service. This brought in many new customers and a number of existing customers renewed their policies. The new customers, along with those renewing their membership, added to the number of customers who needed to be upgraded to the new platform to by the end of 2001, with the number reaching more than 13 million.

MIGRATION – PROBLEMS GALORE

Anania felt that the migration process for more than 13 million customers would take too long if she went by her plan of migrating customers to the new platforms in small groups. Moreover, Cigna had promised its customers and the Insurance Commissioner that it would complete the transformation by early 2002. So, in January 2002, Anania decided to move groups of 3.5 million customers at a time, to the new platforms, without testing the whole system for its integrity.

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[18] Bass, Alison, "Cigna's Self Inflicted Wounds," www.cio.com, March 15, 2003.

[19] Class-action lawsuit is a civil suit filed by a person or a group of people on behalf of themselves and others who are in a similar situation. It claims damages not only for the person who files the suit but also for all the people, on behalf of whom the lawsuit has been filed. Cigna settled the lawsuit in September 2003 by reaching a settlement with around 700,000 physicians.

[20] The fine finally went to the Georgia treasury.

As the migration process started, serious customer service problems came to light immediately. But Cigna had no solutions for these problems. One problem was that the front-end applications, used by service representatives could not retrieve data from the back-end systems easily. The back-end database was not filtered and sorted out, and even if the service representatives could retrieve, the information did not appear correctly. Customers also faced difficulties in obtaining information relating to health coverage plans. Cigna was unable to confirm the registration to customers for many days. Owing to problems in the membership database, Cigna issued identity cards with incorrect numbers and services were provided incorrectly. For example, employees of a certain company lost their medical coverage as their data could not be fed into the new systems.

Meanwhile, a number of customers began to call the service centers to inquire about the faulty services. As many service representatives had been laid off by this time, there was an acute shortage of people at the service centers. The services of 3,100 employees had been terminated in 2002. To meet the sudden need for service reps, Cigna hired around 1,000 new reps on a temporary basis. As the new reps were not properly trained, the problems got further compounded. Customers were put on hold for a long time as the new reps found it difficult to operate the new systems and find the relevant data.

Concurrently, heavy competition forced Cigna to reduce the premiums on its health plan, and it was now struggling to remain profitable. Due to poor customer service, many customers started turning away from Cigna to its competitors. The company lost nearly 1 million customers by the end of 2002. For the third quarter ending in September 2002, Cigna posted a net loss of US$ 877 million as against a net income of US$ 270 million in the corresponding quarter of 2001. Cigna attributed the losses to the unexpected rise in the budget for IT and CRM systems implementation.

A customer satisfaction survey conducted in 2002 by the Pennsylvania Healthcare Cost Containment Council[21] on 14 HMOs in Pennsylvania, found that customer dissatisfaction was highest at Cigna. Anania cited reasons such as lack of time for testing the system for the failure of the migration project. She blamed CGE&Y and the IT people at Cigna Healthcare unit for the failure. According to H. Edward Hanway (Hanway), Chairman and CEO of Cigna, "What unfortunately transpired for us was we tried to do too much, too quickly."[22] According to many of the former employees of Cigna, the management had unrealistic expectations of the new IT and CRM systems, and this had led to the costly debacle. An ex-employee said, "They (the management) just thought they could hire some clerks and have it (the transformation) done in a couple of weeks, and we kept telling them, 'You guys don't understand, it's a really complicated system to set up and it's going to take a lot more than that.'"[23]

LAUNCH OF MYCIGNA.COM AND THE TURNAROUND

In January 2002, Anania decided that Cigna should start work on a web portal project – mycigna.com. The web portal project aimed to make it possible for millions of healthcare customers to make easy and secure online transactions. The portal was scheduled to be launched in June 2002. It would make it easy for customers to check the status of their medical claims and manage their healthcare and retirement accounts through a user-friendly interface. The portal services were free for all Cigna customers. The portal was built in collaboration with Yahoo![24] and

[21] Pennsylvania Healthcare Cost Containment Council is an independent state agency, formed under Pennsylvania statute (Act 89 of 1986) to address the rapidly growing health care costs. The Council strives to contain healthcare costs by increasing competition in the market by providing comparison studies of various healthcare service providers.

[22] Menninger, Bonar. "Cigna's Turnaround," www.healthleaders.com, September, 2004.

[23] Menninger, Bonar. "Cigna's Turnaround," www.healthleaders.com, September, 2004.

[24] Yahoo! Inc. was founded by David Filo and Jerry Yang in January 1994. A US-based computer services company, Yahoo! is associated with an Internet portal, a web directory, Yahoo! Mail and other services. Its revenues in 2004 were US$ 3.57 billion.

Sun Microsystems Inc (Sun).[25] The development tools for the portal came from Yahoo! Enterprise Solutions, a business communications and corporate portal division of Yahoo!, while the hardware and software were procured from Sun. Yahoo! also enabled customers to access mycigna.com directly through its My Yahoo! homepages.

Meanwhile, since the IT overhaul project had faced serious problems in implementation, Anania now decided to slow the pace of the migration project. She hired twenty experienced application developers to rectify the glitches and increased her own involvement in the project while reducing the role of Cap Gemini. The IT team tested the systems rigorously and sorted the back-end consumer database. When this was complete, the front-end applications were able to extract data from the back-end systems, and customer service representatives at the call centers could view the transaction history and personal details of all the customers. The customer accounts were migrated to the new platforms gradually. By mid-2002, customers were slowly migrating toward the new platforms without any major problems.

As scheduled, mycigna.com portal was launched in June 2002. Anania said that collaboration with Yahoo! and Sun Microsystems had resulted in the creation of a user-friendly portal. The site provided information regarding various products available at Cigna and helped users to choose a suitable plan, select or change doctors online, talk to nurses online, order medications and more. One of the unique features of the portal was the provision of customized account information to millions of health insurance and retirement account holders. Further customized information regarding health and financial education, news feed from Yahoo! and deadlines for investment opportunities were provided to the users according to their set preferences. According to Jim Fanella, Senior Vice-president, Yahoo! Enterprise Solutions, "This new resource will deliver security, peace of mind, and make companies the 'information heroes' to their employees." [26]

In January 2003, about 700,000 customers migrated as a group to the new platforms. The migration went smoothly. The remaining customers were to be moved over the next three years (roughly by 2006). The management of Cigna said that though the project had posed some initial problems, it was now becoming beneficial. The new systems enabled the service representatives to process medical claims quickly and accurately and render efficient customer service. Customers got accurate bills quickly and a customer satisfaction study conducted by Cigna in early 2003 witnessed a marked improvement in the percentage of satisfied customers (83%) when compared to the same in 2002 (58%). By the end of 2003, Cigna announced a reduction of 3,900 employees from its sales force and medical management team.

At Business Insurance's 2002 'Best of the Web' competition held in November 2003, mycigna.com won the 'Best in Show' award in the Benefits Management category. The web-based initiatives of a number of companies were compared before selecting mycigna.com for the award. Anania said, "The goal of mycigna.com is to give employees and their employers online tools they need to get the most out of their healthcare and retirement plans."[27] In the fiscal 2003, Cigna earned a net income of US$ 668 million on revenues of US$ 18.80 billion. However, membership losses in the HealthCare division still continued and customer retention was less than 70 percent.

By early 2004, the customer retention levels increased to 75%. At this time, Cigna decided to launch a new suite of products that would help employers to custom design their employee healthcare plans. The suite named 'CIGNATURE – Your Plan. Your Choice' was introduced in

[25] Sun Microsystems, Inc., headquartered in Santa Clara, California, is a semiconductor, computer and software manufacturer. The company, founded in 1982, is associated with developing the famous programming lanugage Java. The company's revenues in 2004 were US$ 11.19 billion.

[26] "CIGNA Launches Personalized Web Portal Offering Millions an Easy-To-Use, Secure Way to Manage Their Health & Retirement Benefits Online," www.cigna.com, June 24, 2002.

[27] "myCIGNA.com Named 'Best of the Web' for Benefits Management; Business Insurance Recognizes CIGNA for Second Straight Year," www.cigna.com, November 07, 2003.

February 2004 (Refer Exhibit III for details on CIGNATURE plan). Instead of choosing from various healthcare plans available in the market, the suite enabled employers to design a cost-effective employee healthcare plan. The company planned to introduce this new product to customers in January 2005, the month in which employers begin to evaluate alternative plans to provide healthcare benefits to employees. Industry analysts, however, pointed out that similar products were also being made available by Cigna's competitors like Aetna Inc.[28] and other small insurance companies.

Cigna's net income for 2004 was US$ 1.44 billion as against revenues of US$18.2 billion. The increase in the net income arose due to decreased costs and increased earnings at the HealthCare division. The HealthCare division raked in a net income of US$ 791 million, recording an increase of more than US$ 300 million as compared to the 2003 figures. According to Hanway, Chairman and CEO of Cigna, the customer retention rate at the HealthCare division increased to 84% by early 2005 and more than 95% of the migrated customers expressed satisfaction. In January 2005, Cigna made available its CIGNATURE® suite to the public through its website www.mycigna.com. The CIGNATURE® suite received favorable reviews from customers and was expected to attract many more customers.

LOOKING AHEAD

The migration program was expected to continue throughout 2005. Anania said that she and her team had learnt a number of lessons from the project (Refer Exhibit IV for Steps for effective migration to new systems). According to analysts, the company was now processing medical claims quickly and had, to a certain extent, achieved its goal to reduce human intervention. However, the Cigna management did admit that the project had exceeded the original budget of US$1 billion and that it had already done a certain amount of financial damage to the company.

For the second quarter ending June 2005, Cigna's revenues were down to US$ 4.11 billion from the second quarter 2004 revenue of US$ 4.63 billion. The net income also decreased to US$ 371 million from US$ 504 million recorded in the second quarter of 2004. Further, the HealthCare division reported a US$ 2 million decrease in earnings to US$ 173 million from the previous year's second quarter. All these negative statistics led industry analysts to speculate about the future of Cigna's financial performance. They felt that it would be very difficult for Cigna, whose customer service had taken a beating since 2002, to come back strongly. According to another section of analysts, however, Cigna had been moving in the right direction and once the migration was completed, it would enable Cigna to compete strongly, giving rise to higher profit margins and stable growth in membership. Analyst Joseph France, while exuding confidence about Cigna's prospects, nevertheless expressed some caution, saying, "But you still have to execute even after you fix your problems, and because perception lags reality, it could take a while before the market catches up."[29]

[28] Aetna Inc., established first as Aetna Insurance Company in late nineteenth century, is one of the largest providers of group health care insurance in the US. For the financial year ending in December 2004, Aetna's operating revenue was US$ 19,904 million and operating profit was US$ 2,046 million.

[29] Bonar Menninger, "Cigna's Turnaround," www.healthleaders.com, September 2004.

Exhibit I

Cigna's Five Year Financial Summary

(In $ million)

Operating Data	**2003**	**2002**	**2001**	**2000**	**1999**
Premiums and fees and other revenues	16,063	16,870	15,940	16,579	15,304
Net investment income	2,594	2,716	2,842	2,940	2,958
Realized investment gains (losses)	151	(238)	(175)	7	8
Total Revenues	**18,808**	**19,348**	**18,607**	**19,526**	**18,270**
Health Care	447	455	671	706	582
Disability and Life	137	124	59	50	132
Retirement	260	231	221	257	265
International	55	31	95	48	(342)
Run-off Reinsurance	(359)	(1,070)	57	(119)	35
Other Operations	73	74	76	93	104
Corporate	(91)	(87)	(96)	(58)	(78)
Total segment earnings (loss)	522	(242)	1,083	977	698
Realized investment gains (losses), net of taxes	98	(155)	(112)	4	4
Income (loss) from continuing operations	620	(397)	971	981	702
Income (loss) from discontinued operations	48	(1)	18	6	1,163
Cumulative effect of accounting change, net of taxes	-	-	-	-	(91)
Net Income (Loss)	**668**	**(398)**	**989**	**987**	**1,774**
Net Income (Loss) Excluding Goodwill Amortization	668	(398)	1,037	1,035	1,822

Source: www.cigna.com.

Exhibit II

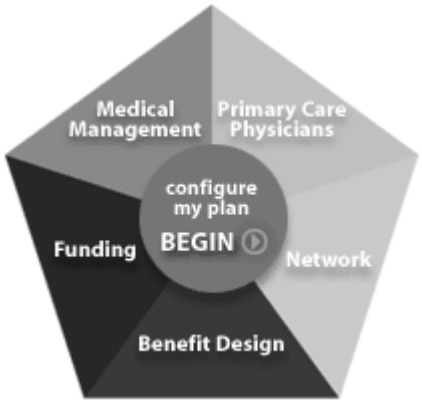
Products and Services Offered by Cigna Healthcare

- Traditional HMO
- Point of Service
- Preferred Provider Organization(PPO)
- Open Access HMO
- Indemnity
- Dental HMO, PPO and Indemnity
- Mental health and substance abuse programs
- Employee Assistance Programs
- Care management/utilization management
- Multi-tiered pharmacy programs
- CIGNA Tel-Drug – Mail-order, telephonic and online prescription drug program
- Vision programs
- CIGNA HealthCare Healthy Rewards® amenities program (available only in certain states)
- CIGNA HealthCare 24-hour Health Information LineSM
- Reimbursement and flexible spending accounts
- Expatriate/international health care programs
- Stop loss products
- COBRA Administration
- Experience Rated Funding
- Fully Insured Funding
- Administrative Services Only (ASO)

Source: www.cwheroes.org.

Exhibit III

Cignature – Your Plan Your Choice



Introduced on February 25, 2004, Cignature suite of products was aimed at making it easy for employers to custom-design the health care plans for their employees quickly and at low costs. Made available from January 01, 2005, Cignature allowed employers to build their plan within their budget and according to the employee preferences. This was quite opposite to the traditional way of selecting from a portfolio of off-the-shelf standard products. The experts at Cigna would help the employers to design their final plan by selecting options in five key areas – Medical Management, Funding, Benefit Design, Network and Primary Care Physicians.

Source: www.cigna.com.

Exhibit IV

Steps for Effective Migration to New Systems

- It is important for the organization to get insights into the exact benefits and their timing that could accrue by shifting to the new system. It should them communicate the benefits to the employees to stop them from developing pre-conceived notions about the benefits of the new systems.
- Even though a business consultant is hired for implementing the integration, it is important for the organization to constantly monitor the process of integration. Experienced project managers should be entrusted with such responsibilities.
- Organizations should conduct a pilot test in a real environment to check for any glitches. This helps in fixing the glitches in their nascent stage. Once, this is done, the transfer of data from the old systems to the new platforms should be done in small chunks to identify and rectify the problems immediately.
- It is important to sort and filter the existing data, prior to migration, to suit the new front-end application.
- Keep the customers in mind while designing the front-end as they are the actual users of it.
- The customer service representatives should be given adequate training on handling customer queries and retrieving the appropriate details from the back-end. If required, the service reps can be retrained. This helps in delivering efficient customer service.

Source: Alison Bass, "Cigna's Self Inflicted Wounds," www.cio.com, March 15, 2003.

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