CIGNA CORP
Form 10-K
February 23, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-8323

CIGNA CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	**06-1059331**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
900 Cottage Grove Road, Bloomfield, Connecticut	**06002**
(Address of principal executive offices)	*(Zip Code)*

(860) 226-6000

(Registrant's telephone number, including area code)

(860) 226-6741

(Registrant's facsimile number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:	
Title of each class	Name of each exchange on which registered
Common Stock, Par Value $0.25	**New York Stock Exchange, Inc.**

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

NONE

Indicate by check mark	YES	NO
• if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.		
• if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.		
• whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.		
• whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).		
• if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.		

• whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.			
Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller Reporting Company

• whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).		

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2011 was approximately $13.9 billion.

As of January 31, 2012, 286,517,042 shares of the registrant's Common Stock were outstanding.

Part III of this Form 10-K incorporates by reference information from the registrant's proxy statement to be dated on or about March 16, 2012.

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ITEM 1 Business

A. Description of Business

Cigna Corporation, incorporated in the State of Delaware in 1981, is a holding company and is not an insurance company. Its subsidiaries conduct various businesses, that are described in this Annual Report on Form 10-K for the fiscal year ended December 31, 2011 ("Form 10-K"). As used in this document, "Cigna" and the "Company" may refer to Cigna Corporation itself, one or more of its subsidiaries, or Cigna Corporation and its consolidated subsidiaries.

Cigna is a global health services organization with insurance subsidiaries that are major providers of medical, dental, disability, life and accident insurance and related products and services. In the U.S., the majority of these products and services are offered through employers and other groups (e.g. unions and associations) and, in selected international markets, Cigna offers supplemental health, life and accident insurance products and international health care coverage and services to businesses, governmental and non-governmental organizations and individuals. In addition to its ongoing operations described above, the Company also has certain run-off operations, including a Run-off Reinsurance segment.

Cigna had consolidated shareholders' equity of $8.3 billion and assets of $51.0 billion as of December 31, 2011, and revenues of $22.0 billion for the year then ended.

Cigna's revenues are derived principally from premiums, fees, mail order pharmacy, other revenues and investment income. The financial results of Cigna's businesses are reported in the following segments:

- Health Care;
- Disability and Life;
- International;
- Run-off Reinsurance; and
- Other Operations, including Corporate-owned Life Insurance.

Available Information

Cigna's annual, quarterly and current reports, proxy statements and other filings, and any amendments to these filings, are made available free of charge on its website (http://www.cigna.com, under the "Investors—Quarterly Reports and SEC Filings" captions) as soon as reasonably practicable after the Company electronically files these materials with, or furnishes them to, the Securities and Exchange Commission (the "SEC"). The Company uses its website as a channel of distribution for material company information. Important information, including news releases, analyst presentations and financial information regarding Cigna is routinely posted on and accessible at www.cigna.com. See "Code of Ethics and Other Corporate Governance Disclosures" in Part III, Item 11 beginning on page 169 of this Form 10-K for additional available information.

B. Financial Information about Business Segments

The financial information included herein is in conformity with accounting principles generally accepted in the United States of America ("GAAP"), unless otherwise indicated. Certain reclassifications have been made to prior years' financial information to conform to the 2011 presentation. Industry rankings and percentages set forth herein are for the year ended December 31, 2011, unless otherwise indicated. Unless otherwise noted, statements set forth in this document concerning Cigna's rank or position in an industry or particular line of business have been developed internally, based on publicly available information.

Financial data for each of Cigna's business segments is set forth in Note 22 to the Consolidated Financial Statements beginning on page 156 of this Form 10-K.

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C. Strategy

Cigna's mission is to improve the health, well-being and sense of security of the individuals it serves around the world. Key to our mission and strategy is our customer-centric approach; we seek to engage our U.S.-based and global customers in maintaining and improving their health, well-being and sense of security by offering effective, easy-to-understand insurance, health and wellness products and programs that meet their unique individual needs. We do this by providing access to relevant information to ensure informed buying decisions, partnering with physicians and care providers in the U.S. and around the world, and delivering a highly personalized customer experience. This approach aims to deliver high quality care at lower costs for each of our stakeholders: individuals, employers and government payors.

Cigna's long-term growth strategy is based on: (1) repositioning the portfolio for growth in targeted geographies, product lines, buying segments and distribution channels; (2) improving its strategic and financial flexibility; and (3) pursuing additional opportunities in high-growth markets with particular focus on individuals.

Our mission is carried out through our enterprise growth strategy, which has the following three tenets:

- **GO DEEP:** Cigna seeks to drive scale by increasing presence and brand strength in key geographic areas, growing in targeted segments or capabilities, and deepening its relationships with current customers.

- **GO GLOBAL:** Cigna delivers a range of differentiated products and superior service to meet the distinct needs of a growing global middle class and a globally mobile workforce through expansion in existing international markets as well as extension of the Company's business model to new geographic areas.

- **GO INDIVIDUAL:** Cigna strives to establish a deep understanding of its customers' unique needs and to be a highly customer-centric organization through simplifying the buying process by providing choice, transparency of information, and a personalized customer experience. The Company's goal is to build long-term relationships with each of the individuals it serves and meet their needs throughout the stages of their lives.

Cigna is also focused on improving its strategic and financial flexibility by driving further cost reductions in its Health Care operating expenses, improving its medical cost competiveness in targeted markets and effectively managing balance sheet exposures. For further discussion of the Company's actions to manage its balance sheet exposures, see the section on "Run-off Operations" in the Introduction section of Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") beginning on page 48.

Key to the Company's strategy is effectively deploying capital in pursuing additional opportunities in high-growth markets. Consistent with this objective, Cigna achieved a significant milestone with the acquisition of HealthSpring, Inc. in January 2012. HealthSpring, a leading provider of medical benefits to the 65+ population through the Medicare Advantage program, strengthens Cigna's ability to serve individuals across their life stages as well as deepens Cigna's presence in a number of geographic markets. The addition of HealthSpring brings industry leading physician partnership capabilities and creates the opportunity to deepen Cigna's existing client and customer relationships, as well as facilitates a broader deployment of Cigna's range of health and wellness capabilities and

product offerings.

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In each of Cigna's ongoing businesses, the Company strives to differentiate itself in the marketplace and provide sustained value to its customers, as more fully described below:

Health Care Segment: In the National market segment (consisting of companies with 5,000 or more employees), Cigna focuses on large employers that value the Company's wellness programs, integrated clinical approach and national network of health care providers. In the Middle Market segment (companies with over 250 and less than 5,000 employees), Cigna focuses on clients that value the Company's integrated product suite, broad range of funding options, and competitive medical costs. In the Select market segment (companies with over 50 and under 250 employees), Cigna features unique self-funded plan options and competitive product offerings. Cigna is also pursuing continued growth in the Individual segment. An important part of the Company's growth strategy is to identify and capitalize on opportunities for growth that extend Cigna's reach, particularly in the Seniors and Individual markets. Cigna's acquisition of HealthSpring in January 2012 (described above) is an example of the execution of this strategy.

Disability and Life Segment: Cigna focuses on returning employees to work quickly, resulting in a better quality of life for employees and higher productivity and lower cost for employers. Cigna seeks growth in this business with the Company's market-leading return-to-work program, which is based on early outreach and engagement, a full suite of clinical and return-to-work resources, and specialized case management services tailored to individual situations. Cigna's value-based products are aligned with employers' growing recognition of the link between employee health and productivity/profitability. Along with these products, Cigna's consultative selling approach brings solutions to clients and builds long-term relationships.

International Segment: Cigna continues to expand its supplemental health, life and accident and global health benefits businesses in existing markets, including South Korea and China. Where the opportunity to bring the Company's product and health solutions to new markets is attractive, Cigna enters new markets. In 2011, Cigna entered the new market of Turkey and signed an agreement to establish a health joint venture in India. Additionally, the 2010 acquisition of Vanbreda International significantly expanded the Company's presence in the global health benefits market, while the 2011 acquisition of FirstAssist in the U.K. added a travel accident insurance product line and expanded the Company's distribution channels.

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D. Health Care

Cigna's Health Care segment ("Cigna HealthCare") offers insured and self-insured medical, dental, behavioral health, vision, and prescription drug benefit plans, health advocacy programs and other products and services that may be integrated to provide comprehensive health care benefit programs. Cigna HealthCare companies offer these products and services in all 50 states, the District of Columbia and the U.S. Virgin Islands.

Cigna HealthCare believes the most sustainable approach to enhancing quality and managing health care costs is to fully engage customers in the decisions that affect their health and the health care services they receive. Accordingly, to assist customers in making informed choices about health care for themselves and their families, Cigna HealthCare provides personalized, actionable information about health and advocacy programs as well as about the cost and quality of health care services.

Underlying Cigna HealthCare's operations is a foundation of clinical expertise and the ability to provide holistic, personal service. Cigna HealthCare's strengths include its ability to:

- combine medical and specialty product offerings to achieve a more integrated approach to customers' health and promote consistent care management;
- provide predictive modeling and other analytical tools to assist in providing targeted information for those customers with the greatest health and lifestyle risks;
- leverage Cigna's investment in care management technology (HealthEview℠) to create personalized care plans that adapt to each customer's preferences and individual health goals so that they can make healthier lifestyle and health choices; and
- collaborate with health care professionals through accountable care organizations with the objective of improving the quality of care and service experience for customers while lowering costs and improving overall value.

Principal Products and Services

Cigna offers a variety of products and services to employers and other groups that sponsor group health plans. With the exception of Health Maintenance Organization ("HMO"), Medicare, Voluntary and stop loss products, each of Cigna HealthCare's products is offered with alternative funding options (described below). Cigna may sell multiple products under the same funding arrangement to the same employer. Approximately 85% of the Company's medical customers are enrolled in self-insured plans, with the remainder split relatively evenly between guaranteed cost and experience-rated insured plans. Approximately 90% of our medical customers are enrolled in self-insured and experience-rated plans, where lower medical costs directly benefit our corporate clients and their employees.

Cigna also offers guaranteed cost medical and dental insurance to individuals; see the "markets and distribution" section for additional information about the Company's offerings in the individual and family market segment.

In January 2012, Cigna acquired HealthSpring, Inc. ("HealthSpring"), which is one of the largest Medicare Advantage providers in the U.S. HealthSpring offers Medicare-eligible beneficiaries health care benefits, including prescription drugs, through managed care health plans. HealthSpring also operates a national stand-alone prescription drug plan in accordance with Medicare Part D.

Commercial Medical

Cigna HealthCare provides a wide array of products and services to meet the needs of employers, other sponsors of health benefit plans and their plan participants (i.e., employees/customers and their eligible dependents), and individuals, including:

Network, Network Open Access and Open Access Plus Plans

Cigna HealthCare offers a product line of indemnity managed care benefit plans on an insured (guaranteed cost or experience-rated) or self-insured basis. Premiums for insurance policies written on a guaranteed cost or experience-rated basis are reported in the appropriate premium category in the revenue table included in the Health Care section of the MD&A beginning on page 62 of this Form 10-K. For self-insured plans, where a majority of the Company's customers are enrolled, revenues consist of administrative fees and are included in fees in the revenue table.

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These plans use meaningful coinsurance differences to encourage the use of “in-network” versus “out-of-network” health care providers. They also encourage the use of and give customers the option to select a primary care physician and use a national provider network, which is somewhat smaller than the national network used with the preferred provider (“PPO”) plan product line. The Network, Network Open Access, and Open Access Plus In-Network products cover only those services provided by Cigna HealthCare participating health care professionals (“in-network”) and emergency services provided by non-participating health care professionals (“out-of-network”). The Network point of service (“POS”), Network POS Open Access and Open Access Plus plans (“OAP”) cover health care services provided by participating, and non-participating health care professionals, but the customers’ cost-sharing obligation is generally greater for out-of-network care.

Preferred Provider Plans

Cigna HealthCare also offers a PPO product line that features a national network with even broader access than the Network and Open Access Plans with a somewhat higher medical cost, no option to designate a primary care physician, and in-network and out-of-network coverage with greater member cost-sharing for out-of-network services. Like Network and Open Access Plus Plans, the PPO product line is offered on an insured (guaranteed cost or experience-rated) or self-insured basis, with a majority of the customers being in self-insured plans.

Health Maintenance Organizations

In most states, Commercial and Medicare HMOs are required by law to provide coverage for all basic health services and plans may only be offered on a guaranteed cost basis. They use various tools to facilitate the appropriate use of health care services through employed and/or contracted health care professionals. HMOs control unit costs by negotiating rates of reimbursement with health care professionals and facilities and by requiring advanced authorization for coverage of certain treatments. Cigna HealthCare offers HMO plans that require customers to obtain all non-emergency services from participating health care professionals as well as POS HMO plans that provide some level of coverage for out-of-network care from non-participating health care professionals and facilities. The out-of-network coverage is generally provided through separate insurance coverage that is sold with the HMO benefits.

Choice Fund® suite of Consumer-Driven Products

In connection with many of the products described above, Cigna HealthCare offers the Cigna Choice Fund suite of consumer-driven products, including *Health Reimbursement Accounts* (“HRA”), *Health Savings Accounts* (“HSA”) and *Flexible Spending Accounts* (“FSA”). These plans are designed to shift employee thinking and behaviors without the need to shift cost by motivating employees to understand and manage their health and health benefits.

-

Cigna’s Choice Fund HRA covers employees through an account funded by employer contributions. Within the HRA, employers can choose from innovative plan design options, including self-funding and fully-insured. HRA dollars can be rolled over from year to year at the plan sponsors’ discretion. The HRA is often combined with a high deductible plan.

-

HSA plans allow plan sponsors to choose from a variety of benefit plan designs and funding options. They combine a federally qualified high deductible health plan with a tax-advantaged savings account that offers mutual fund investment options. Funds in an HSA can be used to pay the deductible and other IRS approved health care expenses.

The health savings account is portable and funds roll over from year to year.

-

An FSA allows customers to pay for IRS approved health care expenses with pre-tax employee contributions. Unused funds in an FSA cannot be rolled over from year to year; they are forfeited by the employee.

Stop Loss Coverage

Cigna HealthCare offers stop loss insurance coverage for self-insured plans. This stop loss coverage reimburses the plan for claims in excess of a predetermined amount, either for individuals (“specific”) or the entire group (“aggregate”), or both. Cigna HealthCare also includes stop loss features in its experience-rated policies (discussed below).

Shared Administration Services

Cigna HealthCare provides Taft-Hartley trusts and other entities access to its national provider network and provides claim re-pricing and other services (e.g., utilization management).

Voluntary

Cigna HealthCare’s voluntary medical products are offered to employers with 51 or more eligible employees and are designed to provide hourly and part-time employees with limited coverage that is more affordable than comprehensive medical plans. Cigna Voluntary products currently have annual and, in some cases, lifetime maximums, which are prohibited under the Patient Protection and Affordable Care Act effective September 23, 2010. However, the Department of Health & Human Services (HHS) has approved a waiver of these limitations for plans in effect as of September 23, 2010. Annual benefit limits are prohibited beginning January 1, 2014, and Cigna expects to cease offering these products at that time.

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Medicare

Medicare Advantage

The Company's acquisition of HealthSpring in January 2012 significantly expands Cigna's presence in the Seniors segment. As a result of the acquisition, beginning in 2012, Cigna operates Medicare Advantage coordinated care plans in 11 states and the District of Columbia. Under the Medicare program, Medicare-eligible beneficiaries may receive health care benefits, including prescription drugs, through a managed care health plan such as the Company's coordinated care plans, and The Centers for Medicare and Medicaid Services reimburse the Company pursuant to a risk adjustment payment methodology. Cigna's coordinated care plans bring together networks of local hospitals and physicians, typically centered around a primary care physician, who is experienced and effective in managing the health care needs of the Medicare population. Cigna utilizes a physician engagement strategy that aims to create mutually beneficial and collaborative arrangements with providers, aligning their interests with the objective of providing high-quality, cost-effective healthcare, and ultimately encouraging providers to deliver a level of care that promotes customer wellness, reduces avoidable catastrophic outcomes, and improves clinical results.

Other Medicare Plans

Cigna also offers group Medicare Supplement plans that provide retirees with a combination of the simplicity of Medigap-style plans with flexible funding and plan design options allowing clients to customize plans to meet their unique needs. Retirees may visit any health care professional or facility that accepts Medicare throughout the country – with no referrals required.

Medicare Part D

Cigna's Medicare Part D prescription drug program, Cigna Medicare Rx®, provides a number of plan options as well as service and information support to Medicare and Medicaid eligible customers. Cigna Medicare Rx is available in all 50 states and the District of Columbia. Cigna's Part D plans offer the savings of Medicare combined with the flexibility to provide enhanced benefits and a drug list tailored to clients' specific needs. Retirees benefit from broad network access and value-added services that help keep them well and save them money. As a result of the acquisition of HealthSpring, Cigna will now offer Medicare Part D prescription drug benefits through its Medicare Advantage plans, and also expand its stand-alone Medicare Part D prescription drug plan.

Specialty

Medical Specialty

Health Advocacy

Cigna HealthCare offers medical management, disease management, and other health advocacy services to employers and other plan sponsors. These services are offered to customers covered under Cigna HealthCare administered plans as well as individuals covered under plans insured and/or administered by competing insurers/third-party administrators. Cigna offers seamless integration of services that address the clinical and administrative challenges inherent in coordinating multiple vendors. Through its health advocacy programs, Cigna HealthCare works to help healthy people stay healthy; help people change behaviors that put their health at risk; and assist those with existing health problems in accessing quality care.

Cigna HealthCare offers a wide array of health advocacy programs and services to help individuals improve their health, well-being and sense of security, including:

- early intervention by Cigna's network of clinical professionals;

- Cigna's online health assessment, powered by analytics from the University of Michigan Health Management Research Center, which helps customers identify potential health risks and learn what they can do to live a healthier life;

- the Cigna Your Health First® program, a holistic coaching program to help customers better manage chronic health conditions;

- Cigna Health Advisor®, which provides customers with access to a personal health coach to help them reach their health and wellness goals;

- Cigna's Well Informed program, which uses clinical rules-based software to identify potential gaps and omissions in customers' health care by analyzing integrated medical, behavioral, pharmacy and lab data allowing Cigna HealthCare to communicate the gaps to customers and their doctors; and

- Cigna's online coaching capabilities.

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Cigna Onsite Health

Over the past four years, Cigna has built an extensive suite of onsite capabilities that include health centers, dedicated health advocates at employer sites across the country, hourly coaching services, wellness seminars and onsite biometric screenings through the acquisition of Kronos Optimal Health. Cigna's onsite programs enable better engagement through face-to-face interaction and intervention to help individuals improve their health, resulting in cost savings for employers.

Cigna's onsite services include more than 75 health centers and the annual administration of more than 400,000 biometric screenings as well as approximately 2,200 wellness seminars each year. As a result of the acquisition of HealthSpring, Cigna now operates three LivingWell Health Centers, where Medicare customers can receive care from an expanded care team including physicians, nurse practitioners, nurses, pharmacists, and nurses educators. The Centers also offer a range of social and community events tailored to meet the needs of seniors. Cigna also runs six LivingWell "practices" that incorporate the principles of the larger stand-alone Centers while allowing the customer to continue to see his or her primary care physician in an office setting.

Cost Containment Service

Cigna administers cost containment programs with respect to health care services/supplies that are covered under benefit plans. These programs, which may involve contracted vendors, are designed to control health costs by reducing out-of-network utilization, auditing provider bills and recovering overpayments from other insurance carriers or health care professionals. Cigna earns fees for providing or arranging these services.

Behavioral Specialty

Behavioral Health

Cigna arranges for behavioral health care services for customers through its nationwide network of participating behavioral health care professionals. Cigna offers behavioral health care case management services, employee assistance programs (EAP), and work/life programs to employers, government entities and other groups sponsoring health benefit plans. Cigna Behavioral Health focuses on integrating its programs and services with medical, pharmacy and disability programs to facilitate customized, holistic care.

As of December 31, 2011, Cigna's behavioral national network had approximately 108,000 access points to independent psychiatrists, psychologists and clinical social workers and approximately 9,000 facilities and clinics that are reimbursed on a contracted fee-for-service basis.

Cigna Pharmacy Management

Cigna Pharmacy Management

Cigna Pharmacy Management offers prescription drug plans to its insured and self-funded customers both in conjunction with its medical products and on a stand-alone basis. With a nationwide network of over 62,000 contracted pharmacies, Cigna Pharmacy Management is a comprehensive pharmacy benefits manager (PBM) offering clinical integration programs, specialty pharmacy solutions, and fast, efficient home delivery of prescription medicines.

Programs that facilitate this integration of medical, behavioral and pharmacy offerings include the previously discussed *Well Informed* program, which focuses on chronic conditions that require strict compliance with

prescription drug therapy such as asthma, diabetes, back pain and high cholesterol, as well as *Step Therapy,* which encourages customers to use generic and/or preferred brand drugs rather than higher cost brand-named drugs. *Step Therapy* is implemented through claim management protocols, which may include communications with customers and their physicians. The Company coordinates pharmacy management with all of Cigna's health advocacy programs and tools by focusing on patient education, including emphasizing the importance of adherence to medication instructions.

Cigna Specialty Pharmacy Management

Cigna's administered medical and pharmacy coverage can meet the needs of customers with complex conditions that require specialty pharmaceuticals. These types of medications are covered under both pharmacy and medical benefits and can be expensive, often requiring associated lab work and administration by a health care professional. Therefore, coordination is critical in improving affordability and outcomes. Clients with Cigna-administered medical and pharmacy coverage benefit from continuity of care, integrated reporting, and aggressive unit cost discounts on all specialty drugs – regardless of where they are administered.

TheraCare Program

Cigna's specialty pharmacy outcome management program, TheraCare, manages specialty conditions by seeking to lower costs and improve the health and satisfaction of our customers. Cigna has a comprehensive list of conditions covered regardless of the pharmacy used to fill the respective prescription, or under which benefit the prescription falls. TheraCare is coordinated with other Cigna health advocacy programs and all data is captured for analysis and reporting.

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Cigna Home Delivery Pharmacy

Cigna also offers cost-effective mail order, telephone and on-line pharmaceutical fulfillment services through its home delivery operation. Cigna Home Delivery Pharmacy provides a high-quality, efficient home delivery pharmacy distinguished by individual care relating to compliance and specialty medications. Orders may be submitted through the mail, via phone or through the internet at myCigna.com.

Dental and Vision

Dental

Cigna Dental Health offers a variety of dental care products including dental health maintenance organization plans ("Dental HMO"), dental preferred provider organization ("DPPO") plans, dental exclusive provider organization plans, traditional dental indemnity plans and a dental discount program. Employers and other groups can purchase Cigna Dental Health products as stand-alone products or integrated with Cigna HealthCare's medical products. Additionally, as of June 1, 2011, individual customers can purchase DPPO plans in conjunction with individual medical policies. As of December 31, 2011, Cigna Dental Health customers totaled approximately 10.9 million, representing employees at approximately 33% of all Fortune 100 companies. Most of these customers are in self-insured plans. All of Cigna's dental HMO customers participate in guaranteed cost insured plans. Managed dental care products are offered in 38 states for Dental HMO and 43 states and the District of Columbia for Dental PPO through a network of independent health care professionals that have contracted with Cigna Dental Health to provide dental services.

Cigna Dental Health customers access care from the largest dental PPO network in the U.S. and one of the largest dental HMO networks in the U.S., with approximately 235,500 DPPO-contracted access points (approximately 92,000 unique health care professionals) and approximately 58,000 dental HMO-contracted access points (approximately 16,500 unique health care professionals).

Cigna Dental Health stresses preventive dentistry; it believes that promoting preventive care contributes to a healthier workforce, an improved quality of life, increased productivity and fewer treatment claims and associated costs over time. Cigna Dental Health offers customers a dental treatment cost estimator to educate customers on oral health and aid them in their dental health care decision-making.

Vision

Cigna Vision offers flexible, cost-effective PPO coverage that includes a range of both in and out-of-network benefits for routine vision services. Cigna's national vision care network, which consists of approximately 53,000 health care professionals in approximately 22,800 locations, includes private practice ophthalmologist and optometrist offices, as well as retail eye care centers. Routine vision products are offered in conjunction with Cigna HealthCare's medical and dental product offerings.

Funding Arrangements, Pricing, Reserves and Reinsurance

The segment's health care products and services are offered through the following funding arrangements:

- Insured - Guaranteed Cost;

- Insured - Shared Returns[SM] (also referred to as “experience-rated”); and

- Administrative Services Only.

Premiums and fees charged for HMO and most health insurance products are generally set in advance of the policy period and are typically guaranteed for one year (unless specified events occur, such as changes in benefits, significant changes in enrollment or laws affecting the coverage or costs). Premium rates for fully insured products are established either on a guaranteed cost or retrospectively experience-rated basis.

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Since January 1, 2011, the Patient Protection and Affordable Care Act ("Health Care Reform") has required Cigna HealthCare's comprehensive medical insurance products to meet a minimum medical loss ratio ("MLR") of 85% for large groups (generally defined as employers with more than 50 employees) and 80% for small groups and individuals. The United States Department of Health and Human Services has issued interim final regulations that specify how the MLR is to be calculated. These regulations currently require the MLR to be calculated on a state-by-state basis for each separate insurance company or HMO, and then separately within each state for large groups, small groups and individuals. The MLR is determined generally as the sum of claims plus expenses that improve health care quality divided by premiums less taxes and assessments. To the extent the MLR minimums are not met for large groups, small groups or individual segments within each state, premium rebates are paid to both employers and customers enrolled in the plans based on the portion of the premium each has contributed. Approximately 15% of Cigna HealthCare's customers are enrolled in insured plans subject to the MLR requirements.

Insured - Guaranteed Cost

Charges to policyholders under an insured, guaranteed cost policy are established at the beginning of the policy period and are not adjusted to reflect actual claim experience during the policy period. Accordingly, Cigna HealthCare bears the risk for claims and costs. The HMO product is offered only on a guaranteed cost basis. Summarized below are the key elements of an insured, guaranteed cost funding arrangement:

- A guaranteed cost pricing methodology reflects assumptions about future claims, health care inflation (unit cost, location of delivery of care and utilization), effective medical cost management, expenses, enrollment mix, investment returns, and profit margins.

- Claim and expense assumptions may be based in whole or in part on prior experience of the policyholder or on a pool of accounts, depending on the policyholder's size and the statistical credibility of the experience.

- Generally, guaranteed cost policyholders are smaller and less statistically credible than retrospectively experience-rated groups.

- Pricing for insurance/HMO products that use networks of contracted health care professionals reflects assumptions about the future claims impact on the reimbursement rates in the provider contracts.

- Premium rates may vary among policyholders to reflect the underlying plan benefits, anticipated contract and demographic mix, family size, geography, industry, renewal date, and other cost-predictive factors.

- In some states, premium rates must be approved by the state insurance department and state laws may restrict or limit the use of rating methods.

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Premium rates for groups and individuals are subject to state and/or HHS review for unreasonable increases.

Insured - Shared Returns[SM] (also referred to as experience-rated)

The key features of a Shared Returns funding arrangement are summarized below:

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The premium, determined at the beginning of the policy period, typically includes a margin to partially protect against adverse claim fluctuations. Premiums may be adjusted for the actual claim and, in some cases, administrative cost experience of the policyholder through an experience settlement process after the policy period as discussed below.

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If cost experience is favorable in relation to the premium rates, a portion of the initial premiums may be credited to the policyholder as an experience refund. However, if claims and expenses exceed the initial premiums (an “experience deficit”), Cigna HealthCare generally bears the risk.

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Cigna HealthCare may recover an experience deficit, according to contractual provisions, through future premiums and experience settlements, provided the policy remains in force. If premiums exceed claims and expenses, any surplus amount is generally first used to offset prior deficits and otherwise generally returned to the policyholder.

Minimum premium funding arrangements combine insurance protection with an element of self-funding. Key features of insurance policies using a minimum premium funding arrangement are summarized below:

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The policyholder is responsible for funding all claims up to a predetermined aggregate, maximum monthly amount, and Cigna HealthCare bears the risk for claim costs incurred in excess of that amount.

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Instead of paying a fixed monthly premium, the group policyholder establishes and funds a bank account and must maintain an agreed-upon amount in the account. The policyholder authorizes the insurer to draw upon funds in the account to pay claims and other authorized expenses.

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The policyholder pays a significantly reduced monthly “residual” premium while the policy is in effect and a supplemental premium (to cover reserves for run-out claims and administrative expenses) upon termination.

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As with other Shared Returns (experience-rated) insurance products, Cigna HealthCare may recover deficits from margins in future years if the policy is renewed.

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Liabilities are established for estimated experience refunds based on the results of Shared Returns (retrospectively experience-rated) policies and applicable contract terms. Cigna HealthCare credits interest on experience refund balances to these policyholders using rates that are set at Cigna HealthCare's discretion, taking investment performance and market rates into consideration. Higher rates are credited to funds with longer expected payout terms, reflecting the fact that higher yields are generally available on investments with longer maturities. For 2011, the rates of interest credited ranged from 0.8% to 3.5%, with a weighted average rate of approximately 1.5%.

Administrative Services Only

Cigna HealthCare contracts with employers, unions and other groups sponsoring self-insured plans on an administrative services only ("ASO") basis to administer claims and perform other plan related services. The key features of an ASO funding arrangement are summarized below:

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Cigna HealthCare collects administrative service fees in exchange for providing these self-insured plans with access to Cigna HealthCare's applicable participating provider network and for providing other services and programs including: claim administration; quality management; utilization management; cost containment; health advocacy; 24-hour help line; 24/7 call center; case management; disease management; pharmacy benefit management; behavioral health care management services (through its provider networks); or any combination of these services.

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The self-insured plan sponsor is responsible for self-funding all claims, but may purchase stop loss insurance from Cigna HealthCare or other insurers for claims in excess of a predetermined amount, for either individuals ("specific"), the entire group ("aggregate"), or both.

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In some cases, Cigna HealthCare provides performance guarantees associated with meeting certain service related and other performance standards. If these standards are not met, Cigna HealthCare may be financially at risk up to a stated percentage of the contracted fee or a stated dollar amount. Cigna HealthCare establishes liabilities for estimated payouts associated with these guarantees. See Note 23 to the Consolidated Financial Statements beginning on page 159 of this Form 10-K for details about these guarantees.

Pricing

Premium rates for insured funding arrangements are based on assumptions about the expected utilization levels of medical services, costs of medical services and the Company's administrative costs. The profitability of these arrangements will vary by the actual utilization level of medical services, the cost of the services provided and the costs to administer the benefit programs and the premium charged. Additionally, beginning in 2011, overall margin is effectively capped by the minimum loss ratio rebates required by Health Care Reform, as favorable experience in a market generates premium rebates instead of offsetting any unfavorable experience in other markets.

Pricing for self-funded arrangements is generally based on the expected cost to administer those arrangements and will vary by the services provided and the size and complexity of the benefit programs, among other factors.

Reserves

In addition to paying current benefits and expenses under HMO and health insurance policies, Cigna HealthCare establishes reserves for amounts estimated to fund reported claims not yet paid, as well as claims incurred, but not yet reported. As of December 31, 2011, approximately $1.4 billion, or 61% of the reserves of Cigna HealthCare's operations comprised liabilities that are likely to be paid within one year, primarily for medical and dental claims, as well as certain group disability and life insurance claims. The reserve amount expected to be paid within one year includes $194 million that is recoverable from certain ASO customers and from minimum premium policyholders. The remaining reserves relate primarily to contracts that are short term in nature, but have long term payouts and include liabilities for group long-term disability insurance benefits and group life insurance benefits for disabled and retired individuals, benefits paid in the form of both life and non-life contingent annuities to survivors and contract holder deposit funds.

Reinsurance

Cigna HealthCare reduces its exposure to large catastrophic losses under group life, disability and accidental death contracts by purchasing reinsurance from unaffiliated reinsurers.

Financial information, including premiums and fees, is presented in the Health Care section of the MD&A beginning on page 62 and in Note 22 to Cigna's Consolidated Financial Statements beginning on page 156 of this Form 10-K.

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Service and Quality

Customer Service

Cigna HealthCare operates 16 service centers that together processed approximately 136 million medical claims in 2011. Satisfying customers is a primary business objective and critical to the Company's success. To further this objective, in 2009, the Company made its call centers available 24 hours a day, seven days a week, 365 days a year. As of December 31, 2011, Cigna operated 10 call centers and a virtual call team that customers can call toll-free about their health care benefits, wellness programs and claims. Cigna recognizes that customers with significant health events may have additional customer service needs. Therefore, Cigna has developed the "My Personal Champion" program, which provides qualified customers with a dedicated point of contact. Personal Champions serve as a resource for benefits and claims questions, assist with navigating the complex health care industry and offers education and support to customers and their families. As of December 31, 2011, approximately 4 million Cigna customers had access to the My Personal Champion program.

Technology

Cigna HealthCare understands the important role that information technology plays in improving the level of service that Cigna can provide to its customers, which is critical to the continued growth of the Company's health care business and its focus on customer-centricity. Accordingly, Cigna HealthCare continues to invest in its information technology infrastructure and capabilities including tools and Internet-enabled technology that support Cigna HealthCare's focus on providing customers with a personalized experience in making health care decisions. Examples include: