

The Cigna Group - How Far Should ClearCareRx Go?

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Decision scope: Positioning and client rollout of Express Scripts' ClearCareRx contract option

Case convention: This is an author-created management decision exercise. The decision role and alternatives are hypothetical; company and market disclosures are historical. No private deliberations are represented.

The decision

In April 2023, Express Scripts announced ClearCareRx, a new pharmacy-benefit contract option for employers, health plans and government-employer clients. The company described it as a simpler, transparent pricing model: clients would pay what Express Scripts paid pharmacies, receive all manufacturer rebates that Express Scripts negotiated, and pay one auditable fee covering benefit administration, products, reporting and analytics. The company said the model would include clinical and financial performance guarantees. [P2], "Offering Clients a New Level of Transparency."

In its FY2023 shareholder letter, The Cigna Group said ClearCareRx and ClearNetwork had launched during 2023 to give clients greater transparency and choice. The filing did not report ClearCareRx enrollment, renewals, realized savings, member outcomes or standalone economics. [P1], shareholder letter, pp. 5, 14.

Assume you are advising Express Scripts' leaders on what role ClearCareRx should play in the next phase of the pharmacy-benefit portfolio. Should the company promote the option broadly, prioritize client segments with a particular need, or keep a segmented menu while collecting more evidence? How should it distinguish a client's net drug cost and pharmacy benefit manager (PBM) fee from member out-of-pocket spending, premiums, pharmacy access and clinical performance?

The advice is hypothetical; Cigna has not disclosed this assignment or a rollout deadline. Use only information available by March 1, 2024.

A complex business with different measures

The Cigna Group reported \$195.265 billion in total GAAP revenue for 2023. Its Item 7 MD&A "Financial Highlights" listed \$137.243 billion of pharmacy revenue, \$44.237 billion of premiums, \$12.619 billion of fees and other revenue, and \$1.166 billion of net investment income. Note 19 reported \$194.099 billion of external-customer revenue, excluding net investment income. These are company-wide categories, not a ClearCareRx measure or an Express Scripts administrative-fee total. [P1], Item 7 MD&A "Financial Highlights," p. 52; Note 19, p. 135.

Evernorth Health Services, the segment that includes Express Scripts, reported adjusted revenue of \$153.499 billion and pre-tax adjusted income from operations of about \$6.4 billion. Adjusted pharmacy revenue included network, home delivery and specialty, and other channels. These segment measures have a different scope from consolidated GAAP revenues and include businesses beyond PBM contract administration. [P1], Item 7 MD&A “Segment Reporting,” pp. 65-66.

2023 reported measure	Amount	Scope
Cigna total GAAP revenue	\$195.265bn	Consolidated; includes net investment income
External-customer revenue	\$194.099bn	Note 19 consolidated categories, excluding net investment income
Pharmacy revenue	\$137.243bn	Consolidated GAAP category; not PBM fee revenue
Premiums	\$44.237bn	Consolidated insurance revenue
Fees and other revenue	\$12.619bn	Consolidated category across businesses
Evernorth adjusted revenue	\$153.499bn	Segment adjusted measure; not comparable to the consolidated categories above
Evernorth pre-tax adjusted income from operations	About \$6.4bn	Segment adjusted measure

Sources: [P1], Item 7 MD&A “Financial Highlights,” p. 52; Item 7 MD&A “Segment Reporting,” pp. 65-66; Note 19, p. 135. Rounded for presentation where stated. Do not add Evernorth adjusted amounts to consolidated GAAP amounts.

What the contract offers-and what remains unknown

Express Scripts described ClearCareRx as an optional model with four features. [P2], Apr. 13, 2023 release, “Offering Clients a New Level of Transparency.”

Announced feature	Issuer’s description
Pharmacy reimbursement	Client pays exactly what Express Scripts pays pharmacies for a prescription
Manufacturer rebates	Client receives 100% of rebates Express Scripts obtains through negotiation
PBM fee	One fee covers benefit administration, PBM products, reporting and analytics; issuer says it is fully auditable
Announced feature	Issuer’s description
Performance commitments	Guarantees for clinical and financial measures, including

Announced feature	Issuer's description
	drug performance, adherence and patient outcomes

These are the company's announced terms and claims. The release does not disclose the fee amount, guarantee thresholds, reconciliation details, client take-up or actual results. It does not promise that rebates are applied to a member's point-of-sale price.

The same release announced Copay Assurance, a separate benefit design that capped a member's copay at \$5 for generics, \$25 for preferred brands and \$45 for preferred specialty brands per fill. Those caps were not stated as a feature of ClearCareRx. [P2], opening bullets and "Driving Down Costs for Consumers."

Cigna's filing describes Evernorth's broader client and service base, including employers, insurers, third-party administrators and government programs. It also reports that Evernorth may guarantee minimum discounts, generic utilization and service levels. The company-wide liability associated with such guarantees was \$1.6 billion at year-end 2023, compared with \$1.3 billion a year earlier. This balance covers company contracts generally; it is not a ClearCareRx miss rate or expected payout. [P1], Item 1, "Pharmacy Benefit Services," pp. 3-5; Note 2, p. 83.

Market pressure and competing designs

Federal regulators were examining pharmacy-benefit practices. The FTC's Section 6(b) inquiry included Express Scripts among the six largest PBMs. In 2023 the FTC added information orders to two PBM-affiliated group-purchasing organizations, including Ascent, which the FTC said works for Express Scripts and other PBMs. Inquiry topics included pharmacy reimbursement, fees and clawbacks, steering, audits, and whether rebate and fee negotiations affect formularies and costs. These were topics under study, not findings of wrongdoing by Cigna or Express Scripts. [P3], May 17, 2023, inquiry description and GPO paragraphs; [P1], Item 1A, pp. 24-26; Item 7, p. 39.

CVS announced two products in December 2023. CVS Caremark's TrueCost was described as client pricing reflecting the prescription's "true net cost," with administrative-fee visibility, and was planned for 2025. CVS Pharmacy's CostVantage would use drug cost, a set markup and a pharmacy-services fee to determine retail-pharmacy reimbursement, also with a planned 2025 rollout. TrueCost is a closer comparison to a client contract; CostVantage addresses pharmacy reimbursement and is not the same product as ClearCareRx. Neither announcement included comparative outcome data. [P4], Dec. 5, 2023, "Introducing CVS CostVantage" and adjacent TrueCost paragraphs.

Express Scripts also disclosed a multi-year pharmacy-benefit agreement with Centene that began January 1, 2024 and serves about 20 million customers. The filing does not say that this contract uses ClearCareRx. It illustrates the scale and execution demands of PBM operations, not the adoption potential of the new offer. [P1], Item 1, "Centene Corporation," p. 6.

The measures leaders would need to separate

"Lower drug cost" can refer to several different amounts. A plan sponsor may care about its net cost after negotiated rebates and fees. A member may care about the amount due at the pharmacy counter. Premiums reflect broader plan spending and benefit design. A pharmacy cares about the reimbursement it receives. A client may also value formularies, access to preferred pharmacies, service, adherence and guarantees.

A transparent fee and rebate statement may make contract flows easier to audit. It does not alone show whether the member pays less, premiums fall, a lower-cost drug is covered, or a pharmacy network remains adequate. Conversely, a member copay cap could reduce costs for a covered fill without showing what happened to the plan's total cost or the premiums paid across all members.

The company reported \$3.1 billion in pharmaceutical-manufacturer rebate receivables at December 31, 2023, compared with \$1.3 billion at the prior year-end. This balance concerns the company's contracts broadly; it is not a ClearCareRx rebate pool. [P1], Note 3, p. 87.

Assignment

Recommend one of three positions for ClearCareRx: (1) make it a prominent offer across the client base; (2) target client segments with specific transparency or contracting needs; or (3) preserve it as one option in a segmented menu while gathering more evidence. Explain why your choice fits the company and market at the cutoff. Identify what would need to be true for another position to be preferable.

Propose a practical scorecard and rollout sequence. Separate client net drug cost, PBM fees, manufacturer rebates, pharmacy reimbursement, member out-of-pocket spending, premium implications, formulary/access effects, clinical measures, service levels and guarantee performance. State what baseline or comparison would be needed to interpret the results. Do not assume ClearCareRx has produced savings or that a client's rebate pass-through automatically lowers member copays.

Source key

- **[P1]** The Cigna Group, FY2023 Form 10-K, filed Feb. 29, 2024, accession 0001739940-24-000005. SEC [filing](#) and [index](#). Annual-report printed page footers cited above.
- **[P2]** Express Scripts, "Express Scripts Further Advances Transparency and Affordability for Consumers and Clients," Apr. 13, 2023, [issuer release](#).
- **[P3]** Federal Trade Commission, "FTC Deepens Inquiry into Prescription Drug Middlemen," May 17, 2023, [FTC release](#).
- **[P4]** CVS Health, "Our path to accelerating long-term growth: building a world of health around every consumer," Dec. 5, 2023, [issuer release](#).