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CIGNA Corporation Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). We will go first to Josh Raskin of Barclays Capital.

Josh Raskin - Barclays Capital

First question just on the COBRA, there was no real mention of that and understanding the large majority of your business is in the service, your thoughts around any potential impact this year?

David Cordani

Josh, this is David. Relative to COBRA, first off, we did not see a major impact of COBRA in the first quarter. We do see some uptick in acceptance rate based on the federal subsidy, and we are tracking a little bit of erosion in disenrollment offset by a little bit of an uptick in the COBRA results. But we don't see a material swing to date relative to the overall performance of COBRA thus far.

Josh Raskin - Barclays Capital

And I guess as you review the cost trends even for your self-funded accounts, are you seeing any changes in utilization patterns or even severity of utilization in those cases in periods prior to layoffs or sort of even before the COBRA kicks in for some of these members?

Mike Bell

This is Mike. At this point we are not experiencing any sea change in our underlying medical cost trends, and hence we're maintaining our full year outlook for the total book of business in that range of 7% to 8%. And I would emphasize that the first quarter data is very immature and the economic impacts that you are referencing are still uncertainties, but to date, we have not seen evidence of an uptick in trend from the factors that you are describing.

Josh Raskin - Barclays Capital

Just a quick follow-up on the pension funding. I'm sorry; did you say you made a voluntary contribution of \$300 million, but the net impact on full year parent cash was going to be \$130 million? I was just trying to reconcile or maybe did I mishear something?

Mike Bell

Sure, Josh. First of all, the contribution in the first quarter was \$300 million of cash. So that's a gross number. It's pre-tax, and it's pre-contributions from the subsidiaries. So the full year number that I was referencing of \$130 million is after-tax, and it's after the contribution from the subsidiaries.

So in other words, just to round out the pieces, the gross contribution for the full year is expected to be around \$400 million, and we would expect a tax benefit on that gross contribution of approximately \$160 million, and the remainder would be the amount that we would collect from the subs that would help fund the \$400 million overall full year contribution, which, again, would be pre-tax and would be pre-subsidiary contribution.

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