

Investor Day *(Corrected version)*

✓ **Event Details**

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Company: CVS Health Corp.

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✓ **Company Participants**

Unverified Participant

Laurence F. McGrath - CVS Health Corp., Executive Vice President, Chief Strategy Officer and Chief Strategic Advisor to the CEO

J. David Joyner - CVS Health Corp., President, Chief Executive Officer & Director

Steven H. Nelson - CVS Health Corp., Executive Vice President and President, Aetna

Katerina Guerraz - CVS Health Corp., Executive Vice President & Chief Operating Officer, Aetna

Sreekanth Chaguturu - CVS Health, Executive Vice President & President, Health Care Delivery

Ed DeVaney - CVS Health Corp., Executive Vice President and President, Pharmacy Services

Lucille Accetta - CVS Health Corp., Senior Vice President, Chief Pharmacy Officer & Head- CVS Specialty Operations

Leonard P. Shankman - CVS Health Corp., Executive Vice President & President-Pharmacy & Consumer Wellness

Prem S. Shah - CVS Health Corp., Executive Vice President & Group President

Tilak Mandadi - CVS Health Corp., Executive Vice President-Ventures & Chief Experience & Technology Officer

Brian O. Newman - CVS Health Corp., Executive Vice President & Chief Financial Officer

✓ **Other Participants**

Ann Hynes - Analyst

Justin Lake - Analyst

Lisa C. Gill - Analyst

Elizabeth Anderson - Analyst

Stephen Baxter - Analyst

Michael Cherny - Analyst

Lance Wilkes - Analyst

Andrew Mok - Analyst

Charles Rhyee - Analyst

Kevin Caliendo - Analyst

Scott Fidel - Analyst

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Please welcome Executive Vice President and Chief Strategy Officer, Larry McGrath.

Laurence F. McGrath

I haven't done anything yet, but thank you. Good morning, everyone. Thanks for joining us for the CVS Health 2025 Investor Day. I think I know all of you in the room, but I'm Larry McGrath. I have the privilege of leading our Strategy and Investor Relations functions here. So, first, on behalf of the entire CVS Health team, I'd like to extend a warm welcome to you all, either joining us here in person in Hartford or online through the webcast.

We have an exciting day ahead of us today. Before we begin, I just have to remind you that our customary cautionary statements and Safe Harbors apply. You can see them here on screen. I also encourage you to consult our Risk Factors that we have on file with the SEC, on our Form 10-K, 10-Q and 8-K.

All right. For our agenda, we're going to start the day off. We're very excited to have David come up and outline our vision to reimagine healthcare, and the strategies that are underpinning that vision. We'll then have each of our business leaders dig a bit deeper into our core businesses, and sharing how each is focused on delivering best-in-class execution, the ways that we're using our capabilities to improve the experiences for our clients, for our consumers, and also share our commitments to you, our shareholders.

We'll then have Prem and Tilak come up and share the exciting work that we're doing, again, to use our capabilities to create a broader consumer engagement platform. Brian will then come up and share our financial strategy and outlook. And then, of course, we'll have a Q&A session where you can ask any follow-up questions of David on the team. And, of course, we'll have a couple of breaks interspersed throughout the day.

At the end of the Q&A session, the webcast portion of the day will end. But for those of you who are here with us in person, we're really excited to highlight some of the work that Tilak's team is doing to drive innovation and how we engage with our consumers in our showcase, which is highest (00:02:17) down the hallway here. And for those of you who are online, we will share a video showcase, sharing those same highlights and that will be available on the investor portion of our website later after the presentations finish.

So, I think that's it for the logistics. So, if we're ready, let's get started.

[Video Presentation] (00:02:35-00:06:33)

Unverified Participant

Please welcome President and Chief Executive Officer, David Joyner.

J. David Joyner

All right. Good morning. And I want to extend my welcome to those that have made the journey to Hartford and also those on the webcast. I had read one of the reports earlier in the week that this was the hot ticket, and I'm hoping this was the hot ticket, not just because of the seating capacity in Hartford, because it's an opportunity for us to tell our story about where CVS Health has been, and more importantly, where we're going.

So, we're going to spend this morning hopefully getting you all encouraged and enthusiastic about the both the investments that we're making and the success that we've had. So, I'm almost a little bit more than a year into this role. And there's no question, a year ago, there were probably more questions than answers, asking a lot of questions about the leadership, whether or not the businesses were pitting together appropriately.

And I think what we've been able to do is answer those questions. And I feel incredibly bullish about the work that we've done. So, we've delivered four quarters in a row.

I've rebuilt the executive leadership team, many of which you're going to actually hear from today, and both people that we've elevated into leadership roles and also those that we brought in from the outside. I would say, 90% of the questions I got a year ago was the Aetna recovery. And then, the next quarter, the Aetna recovery. The next quarter, the – we've delivered \$2.5 billion of operating income in that business and actually set ourselves up for what I think is a very successful 2026 and in the future. So, again, delivering on the promises, saying what – and actually doing what we say.

Same thing holds true in the pharmacy space. There was a lot of questions about moving retail into a new price model. What is the future of retail? A year before that, we had guided down 5%. Now we actually are growing that business. So, in large part, it's because of how we actually are performing and also actually evolving into the nation's best run pharmacy in this country.

There's a lot of debate around the PBM. You're going to hear some conversations about where we're taking that business, but we were a leader in changing the price model. We knew that that was the debate in D.C. We knew that that was the debate in the marketplace. And so, when I again joined the organization, it was all about anticipating and knowing that the market was changing. And so we led the market. And that has been a big part of transforming the way in which we're operating and running that business.

We also had to make some tough decisions. So, we decided to exit the Exchange business, decided to exit the ACO business. We decided to slow the growth of our clinics down and actually take a step back and reinvest in that business and technology and the stuff. You'll hear a lot of that from Sree today. But then, we also were opportunistic in terms of the investments we did make. So, we participated in the Rite Aid acquisition in the Pacific Northwest. We added 60-plus pharmacies to round out our footprint to become a national pharmacy.

We also participated in the file buys which expanded our reach in the markets of which we're done. And that's in our wheelhouse. It is what we do. And we actually performed exceptionally well. And then, the last piece, which I think is really important, is while we were actually making the tough decisions and actually focusing on the recovery inside of the businesses, we also were investing for the future.

So, there is a big theme you're going to hear today around the role that technology plays. We made a \$20 billion commitment over the next 10 years in technology is what we've announced earlier this year. And you're going to see some of that come to light as we begin to reposition and focus on the future of this business, because we believe technology will become the enabler for our growth.

So, I would say, what you see now is the confidence that, one, we have our arms around this business. And it's not arrogance. I think it's really important for you to recognize that this is a confident team, but not an arrogant team. And as you listen to the themes coming through today, we are very much focusing on operating and executing best-in-class in our businesses and actually making sure that we continue to be respectful of the competitors in the marketplace that's in front of us.

So, just a couple of themes here you're going to hear. We righted the ship, charted a new path forward, and now entering parts of the market that either others can't and/or simply are not equipped to be able to compete.

So, now, let me transition to what we would call our ambition and purpose. And you're probably asking why am I talking to you about our ambition and purpose as a company. But it is our secret sauce. It is what makes

us, I think, different in the market. And I've been with this company for so long that I realize there are things that you can do to galvanize the workforce.

We have 300,000-plus people that work in this organization. We're in a variety of different businesses. Many of them are diverse and/or different. But the one thing that we can actually do to organize the entire workforce around a common goal is to have an ambition and a sense of purpose around what it is we're trying to do as a company.

So, we've invested heavily in what I would believe is the challenge in the marketplace, which is a lack of trust. So, we will be America's most trusted healthcare company. We think now is the time to capture the trust mantle and, in large part, because of the problems that we all recognize and are actually challenged with, so the consumer. There's no question the consumers are challenged, affordability, access. They don't have an advocate. They don't have people that they feel like are on their side.

And so given kind of the complexities and some of the things specifically around this, there is little to no engagement. Regardless of all the things that we've worked on over the years, if you don't trust your provider, if you don't trust the system, it's really hard to get engagement. And if you don't get engagement, then you don't ultimately end up with the outcomes and/or the healthy lifestyles that we're trying to promote and advocate for.

So, there is a lot of things that you're going to see throughout the day is talking about why are we so focused on this engagement platform. We believe that that has been one of the single biggest challenges in the market.

Same thing holds true with the providers. The providers struggle. We talk about the burnout. We talk about the administrative burden. And, ultimately, the systems and the technology don't work for the providers, either. So, how do we, as a company, step in and start ourself to drive a different set of solutions?

So, when you actually have challenges with both the consumer and the providers, trust becomes the biggest challenge. And so we're saying we want to become America's most trusted healthcare company. We think we are in a place in the businesses that we're in to earn that right.

So, as we talk about how we execute on this trust, it's about the purpose that we've rolled out. The complexity in this marketplace is overwhelming. So, there is a thing that we've done grounds-up. I've talked to people in focus groups across our business and it's the actuaries inside of Aetna, is the people in our front store that are dealing with customers, it's the clinicians that are operating and actually dealing with the complexities of people with complex conditions.

All of them basically said their jobs are really hard and is really complex and we need to figure out how we simplify it. If we simplify, the examples both that the person, the family and the community, we think we can have a breakthrough. So, it's everything from product design. If the product design isn't thought through in terms of simplifying the experience, this is going to be hard to get the engagement and ultimately get the trust that we're hoping for.

So, this is a big part of where we think we're differentiated. We've got 5 million opportunities a day, 5 million opportunities a day to interact with the individuals or the consumers. We are in the communities. We have 85% of this country lives within 10 miles of one of our facilities.

So, when you think about that, we are in the community, so we're touching the person, we're actually part of the family, and you can see some of the stories in the video. And ultimately, we're in the communities which we both work and we live. So, we think we are uniquely positioned. And I think what we have now is 300,000 colleagues that are very much committed and passionate about both our ambition and our purpose, and the role that we play in helping improve healthcare. So, this whole reimagination of healthcare is very alive and very real within our organization.

So, now the question is, what is the next chapter for CVS Health? So, great work. You've done what you said you were going to do. You delivered on the promises last year. But now, what are you doing going forward? So, we've established what I believe are four pillars that are going to set the stage for the growth of CVS Health.

The first is being best-in-class in each one of the businesses that we operate. And you're going to hear from those leaders today. So, Steve and Katerina, we'll talk about that now. Yes, we had a great recovery in 2025, set the stage for 2026. But then, what is the long-term growth rate and projections for that business?

You're going to hear from Ed talk a lot about the PBM business. There's an opportunity for us in this inflection and/or in this transition of this industry to new price models. Where are we and how are we participating in the future of that business? And also, Lucille will be a big part of the tailwind in that industry, which is the Specialty Pharmacy piece. So, Ed and Lucille together will talk about how the broader PS organization will perform.

Sree is going to talk about the Health Care Delivery business across the diversity. And again, answering the questions about where are we in terms of value-based care, we as an enterprise are committed to it. But how are we investing and how are we creating success for that.

And then, lastly, it will be Len Shankman talking about our retail business. And I've said this on many earnings calls this year, I look back on the negative 5% guide, and now, we've actually grown that business in 2025. And now, we have a path forward in terms of being able to continue to invest. It will become the gateway to this enterprise. So, it is the opportunity for us to leverage the CVS Health brand. It's an opportunity for us to connect with consumers and individuals differently than any other healthcare organization in this country.

So, it is why we're investing in this business and it's why we believe that we have to continue to use that as the enabler to get the engagement and to pull through the rest of the organization. Transforming consumer experiences. When I talk about simplification of healthcare, this is one of the most important pillars that we have, because if we can reorient and actually begin to work differently with the consumers, taking the friction out of the process, ultimately trying to figure out who is their advocate, how do we create opportunities then to make better and more informed decisions. The consumer engagement and reimagining and transforming that is a big part of the pillar in which we're building. But you can't do that without addressing the other parts of the equation.

So, the providers will play a really important role. So, when we say being the partner of choice, I think, what we've all recognized is the challenges, the negotiating and all of the contention that exists between the providers and the payers, we've got to be part of that solution.

So, it's why we've been so focused on addressing the prior authorization and the administration complexity, and the technology and interoperability issues that are their challenge. We believe it's our responsibility to be a part of that solution and to reimagine and to rethink how we're going to contract and, ultimately, how we're

going to partner with the providers, that ultimately makes it a better experience for the consumer and, ultimately, takes cost out of the system and improves the overall health and outcomes.

And if we get both the consumer and the provider right, then we have an opportunity to create completely new and differentiated value props for the customers in which we serve. Customers today are seeing double-digit increases in many cases. They're asking for different solutions than what's in the marketplace today. And they feel like today's product portfolio is not getting the job done.

They have an affordability crisis themselves, increasing their labor cost. And ultimately, they are trying to see who in the marketplace is trying to disrupt, reimagine and change the marketplace. And I think what we've actually done, both with the consumer and where we're going with the provider and, ultimately, the businesses that we're running and operating in, we have an opportunity to capture a disproportionate share of the client growth in the market.

And then, lastly, is this enterprise capability. So, the question a year ago, sum of the parts, the businesses fit together. So, there were some pretty easy answers. Yes. When you integrate medical and pharmacy together, it creates lower cost, a much better experience for the consumer. But that's really not enough. So, then the question is if somebody is going into CVS and is also an Aetna member, and also a Caremark member, do you actually improve the health and the cost? Yes.

So, those become, what I would call, the table stakes for how we're thinking about these businesses fitting together. But the next chapter in this is how technology will finally actually have the breakthrough, so that you have an ecosystem and/or you have an opportunity to serve that consumer so differently when they're inside of the businesses in which we're operating.

So, you're going to hear a big push in terms of how technology is advancing at a pace that I have not seen in my career. And I think probably you're observing the same thing. We believe that we have a really unique opportunity to capture the advances in technology, to make the experience better and actually to work more effectively in terms of how these businesses come together.

And the reality is, we can't be a technology solution just in the PBM, or just at Aetna, or just in CVS retail or in our clinics. You have to do this in totality. So, the fact that we're building and connecting technology across these businesses and you're going to have a common experience inside the way in which we're building this is what I'd say is the distinctive and differentiating factor in the organization. So, that'll be a big part of where I say this all kind of ties everything together.

So, then the question of the day is, what does all this mean to the shareholders? So, delivered on four quarters in a row. Question is, where are you going to take the business going forward? We're laying out today that we're going to have a mid-teens CAGR growth through 2028. It's a pretty powerful statement, especially where we were a year ago.

We are delivering growth in each one of the businesses that we're operating. So, this isn't just having one perform and outsize against the others. This is the fact that all the business who are contributing and performing to the growth rate in the business. Each one of the leaders today will talk about their role and their contribution to deliver on the mid-teens growth. But again, I just want to kind of reinforce the philosophy that I actually took on a year ago, which is, one, making sure that I'm going to commit and deliver on the promises that we make. I'm going to establish what I believe are credible and responsible targets for the business, and then leaving ourselves an opportunity for outperformance when we actually can perform better.

So, that is the guidance philosophy from a year ago. It's the guidance philosophy of today, and will continue to be the guiding philosophy going forward. So, this business has what I see as significant earnings power. And it's earnings power that's created because of the diversity of the businesses that we're in. So, this will be, again, a combination of how all these businesses fit together.

And as I begin to think about how we're going to grow the business, it will be as a result of the diversification of each one of the businesses performing together, as opposed to actually thinking about each one of the business individually. And Brian's going to share much more details later this morning on how I know your models will be built going forward.

So, let me close with – and you're going to see a closing slide from each one of the leaders about what the commitments will be. So, I just want to start by saying, I'm enormously proud to be the CEO and incoming Chair of this organization. This is, for the most part, what I've done my entire career. I've been part of this organization, unbelievably proud about the role that we play and ultimately the people and the talent and the things that we're delivering in this marketplace. This is a critically important healthcare company in this country. I understand the responsibility that goes with that. And I, again, take that responsibility to make sure that we actually deliver and actually have a meaningful impact on healthcare in this country.

So, this whole riding the ship, charting a new course, going to places that others can't and they can't because they don't have the assets or they don't have the businesses, of which we believe is necessary in order to reimagine healthcare. So, we think we're uniquely qualified. We also are going to tackle what I believe are the most challenging issues in this market. And if we do this successfully, then I think, we – what you will see as an organization that completely is a N of 1 and kind of separates itself from the pack.

So, the leaders today, I'm really excited about the opportunity to showcase some of the things that they've done over the last year and, more importantly, hear from them in terms of how they're thinking about their business, how they're thinking about their part in the broader enterprise and, ultimately, how we're going to try to be the trusted healthcare company and simplifying healthcare in this country.

So, with that, I am pleased to welcome Steve Nelson to the stage to talk about Aetna. So, thank you.

Steven H. Nelson

Okay. Well, thanks, David. Super excited to be with you this morning. I'm going to also extend, just before I jump in, a warm welcome to you, the Aetna campus here in Hartford. It's actually a historic building. It was built about 100 years ago during the Depression. And the history of the company is actually really deep, goes all the way back a couple hundred years, started as a fire insurance company.

And I actually didn't know this when I started that the origin of the name came from the highest active volcano in Europe, Mount Etna, on the Island of Sicily. And the symbolism is meaningful in that eruptions, fire, earthquakes will come, but the mountain remains resilient and strong. And so, we love that symbolism and that legacy.

On a personal note, I joined a little bit after David, but new-new. And a little over a year ago, I joined because my passion for healthcare and fixing it in the United States burns bright and I couldn't think of another company that was as well positioned to change and drive meaningful change in healthcare at scale as CVS Health. So, a year later, I'm telling you that my perspective is, I even am more convinced of that than I was when I joined a year ago.

Aetna plays a big part of that. And Katerina and I are excited to talk to you about the progress that we've made. But, equally important is how we've made that progress and why we've made it. So, it starts with results. It starts with focus and results. And we have – as we walked into 2025, we committed to doing three things, excelling at the fundamentals, being truly distinctive, and having a winning culture with a great team.

And so, it starts with fundamentals. And there's nothing more fundamental than returning this business to target margin. So, that is a focus of our team, our enterprise every day, every decision and that is a fundamental just commitment that we have. And we are tracking on that, and we're making great progress. We'll talk about that more in a minute.

We've also strengthened our processes and our management approach. We are more disciplined. We are focused. We have relentless execution and a lot of management rigor. And this has produced results. But we also have added fundamental, really important capabilities, and I would say, strengthened in many ways. And I'll give you one example that is forecasting trend. There's nothing more fundamental to this business than be able to understand a forecast trend.

So, we have strengthened our leadership around underwriting actuary. We've added technology as we look to stabilize and strengthen our operating platform. So, we have insights better, faster, deeper than we had before. It is now part of our DNA to forecast and understand trend.

When we do that, we can price with discipline and confidence. We can make really important strategic decisions. For example, as we looked at the early trends in 2025 around our Exchange business, we saw where that was going and we did not see a path there for us. And so, we made that really important and strategic decision to exit that business.

As we put together our Medicare Advantage bids, as we work with our state partners on Medicaid, having that insight and confidence around where trend is and where it's going is fundamental to us. And we – again, it is something that is part of our DNA now.

In the area of being truly distinctive, there's a lot of things I could say here, but Katerina's going to come up and talk about our leading capabilities. But I want you to think about three areas: navigation, advocacy and partnership. Those are three things that we think we are and will continue to be distinctive at, and we're going to lean into that. But more to come when Katerina comes up.

And then, this idea of culture. We could not do the first two things without really focusing on our culture. Aetna, to be very honest, a year ago needed a revitalization, a reset, if you will. And so we worked hard on that over the past year. And I can tell you I'm very excited and pleased to say that our employees are highly engaged. We have best-in-class engagement scores. And more importantly, they understand where we're going. They're excited about it and they believe in it, and they want to be part of it. And that comes back in a bunch of different ways, surveys, anecdotal conversations, and you can just feel it.

And so that's been really important. And we've strengthened key leadership positions. You're going to get to know Katerina better in a minute. She's our Chief Operating Officer. We added a new CFO to Aetna, Andreana Santangelo. The two of them have been absolutely instrumental in the progress that we've made. They've been a great partner to the business and to me.

And we've added other key leadership positions as well. We added a new leader to our Medicare business, a new CFO there, a new leader to our commercial business, elevated someone into our Chief Underwriter role at Aetna. And those have been critical changes, and the changes are actually across the organization and that has strengthened us.

So, we have the right focus, we have the right team. And my – I would say, maybe it's slightly biased, but I've had opportunity to work with great teams and this is the best team I've ever worked with. It's the best team in the industry in my opinion. So, we have the right team, right focus and the plan is working.

As you can see, and David mentioned, we added \$2.5 billion in improvement in our adjusted operating income in 2025 and that momentum is going to continue. We're going to add another \$1 billion of adjusted operating income at the midpoint of the range for 2026 – actually \$1.7 billion of our normalized 2025 starting point.

So, the progress is real, the momentum is incredible. And we are really proud to have been able to do this in this challenging and really dynamic environment. So, more work to do, but really pleased with the progress and confident in the future and the earning potential and power of this business. So, I'm going to take a few minutes and talk about each business, kind of why we're there, why we think it's the right business to be in and why we're positioned to win.

I must start with Medicare. So, Medicare is an incredibly important business for our enterprise, and it's one of the most successful private/public partnerships in the history of healthcare. And I know, having worked closely with the current leadership of CMS, they're also positive about this program and the impact that it can have on beneficiaries, Medicare beneficiaries, which are now 20% of our population. And it's going to continue to grow. So, we like this business a lot. We think we have leading capabilities here. We are well positioned to win.

And I'll start with our leading Stars scores. Three years in a row now, we lead the industry in Stars. And that is a result of focus, a lot of hard work but unique because our enterprise how it comes together. And I'll just point out the business leads our retail pharmacy business, the advantage that we have because we can work closely with them to produce these kind of Stars scores, it is absolutely differentiating and unique.

We also have demonstrated two years in a row now that we can execute on AEP. It's not just about bids. It's about executing during AEP. And so, we did that last year and AEP ended on Sunday. So, early, early view that we are absolutely on track with what we wanted to do and we're going to exit AEP with our membership and Medicare Advantage roughly flat to as a modest contraction, and again – but exiting with a better footprint geographically product mix. We really like what happened during AEP for us, and it sets us up very consistent with our goal to continue to make progress in terms of our returning this business to target margin. So, this is a really important business and it's really well-positioned.

Medicaid is also a strategic business for us, and it's core to our mission. This population is growing. 40% of every baby that's born in our country is born into a Medicaid family. 20% of the population engages with Medicaid. So, this is an important business to be in and strategically, so it gives us access to the dual population as well.

So, we take a lot of pride in serving this population. And we have really strong partnerships with our states, which allows us to have really strong great advocacy conversations. And that's one of the reasons we've made progress in this business. We also have a history of clinical and operational excellence. And when we want to win, we want to retain business or win new business, we have this strength, this incredible

enterprise, and we believe we can win where we want to and when we need to. So, this, again, progress here and we like this business.

Last, our commercial business has been strong for many years. We serve a very sophisticated and challenging, I would say, clients in the Fortune 100, 50% of them, we serve 18 million people. This is a very strategic business for our entire enterprise again. But the Aetna brand is really powerful and it is synonymous with clinical and product innovation. And we're going to continue to lean into that and make sure that that continues to be part of our differentiating capabilities.

And you're going to hear from Tilak and Prem about how we are leaning into technology that we think will actually enable consumers in a new and unique way. And these technology conversations we're having, the product innovation, when we bring these to our clients right now, it's resonating with them. And the feedback is that we are leading and it's differentiating and we are highly engaged with our consumers, because – and with our clients, because, look, they are really frustrated with the high trend environment and they're looking for new solutions and we think we have them.

And then, when we come together as Caremark and Aetna on the Rx benefits and the medical benefits, we create a unique and integrated service model that no one else can match. And it produces better results, better experience, better outcomes, and that's differentiating. So, we're in the right businesses. We think we're positioned to win in each one of them. But as I think about where healthcare is right now today, and David talked about it, and we all know that it is not where it needs to be. Trust is low. Trends are at a historic high. Consumer expectations are much different than they were even, I'd say, two or three or four years ago.

And so we need to evolve with that. So, we get it. And we're – as we continue to work towards returning the business to target margin, focusing on the fundamentals, adding leading capabilities, we are also in the process of making this transition, from a transaction orientation to a truly consumer-driven solutions healthcare company. And we can do this because of the enterprise assets we have, the technology you're going to hear about, but there's a bunch of things that have to go into this, but we are in the process of doing this. And again, it's navigation, advocacy and creating different kind of partnerships with providers.

I'm just going to take a minute and talk a little bit more about advocacy. So, you saw in the video, Sheryl, the cancer patient, she referenced this person that she's working with named Jennifer. Real names. And Sheryl engaged with Jennifer who is part of our Aetna One Advocate program. So, it's a group of people that we've dedicated in our organization to be proactively engaged with clients, and where they can take it inbound to. But because of technology, because of the training, because of the capabilities we have, it's basically concierge service at scale.

And our clients love this. We have it at CVS, our big clients have this. And it creates a very, very differentiated experience and better outcomes. And so, this is one example of a capability we have in the advocacy bucket, but it's also a mindset shift, as well. So, for example, it's very common as a provider or a member is seeking care or requesting care to submit data, we go through a process, we authorize that service or we don't. But a lot of times, it's dependent on the data that we get, and often it is not complete or it's not even submitted. And so we go through our process and we say, we don't see the support for it and so deny it. Check the box.

That process is no longer acceptable, because we've got to stick with the member all the way through their healthcare journey. Even when data is not submitted properly, we need to expand how we think about that and reach out to the member, reach out to the provider and make sure we stick with them their entire healthcare journey. So, you're going to hear from Katerina how we are simplifying and streamlining processes like prior authorization to create a better experience and become a solution – consumer-driven solution company.

And so with that, I'm going to bring – welcome Katerina onto the stage to talk about our best-in-class capabilities. Katerina?

Katerina Guerraz

Thanks, Steve. I've been in the healthcare industry for 30 years, leading multiple segments within the health insurance business within our commercial and government programs. Over the past year, I've served as Aetna's Chief Operating Officer, overseeing our end-to-end operations. As Steve mentioned, we play a critical role in achieving our company's ambition. Today, I'm going to double-click on our strategy, that's focused – has a relentless focus on operational excellence, with an unyielding commitment to deliver and execute on the fundamentals with precision and scale.

Today, in order to achieve the priorities Steve laid out, we've identified four key focus areas that will enable and drive Aetna's performance and also ensure that we have a durable competitive advantage. So, the first is around achieving industry-leading total cost of care across all cost leverage results. We're going to do this by leveraging data, clinical insights and network strategies. Second priority is how we're transforming our operating model to be more competitive and enable innovation at a much faster pace.

The third example is around how we're going to in the priorities, how we're going to leverage technology and data to transform the consumer experience, specifically in the areas of navigation and advocacy. And the final one is around creating frictionless experiences for members and providers, reducing complexity and building trust at every touchpoint. By integrating all of these capabilities, we're creating a platform to transform healthcare in this country and address the challenges that David laid out. We are leading with operational rigor and strategic clarity to create sustainable value.

When we think about one of the most important operating levers, it really is managing the total cost of care. Today's cost of care models are fundamentally limited. They often miss the interconnected drivers of medical and pharmacy trend that impacts affordability. When we look out three to five years, we look at what are the high cost categories that will continue, especially with increased utilization. The first one is really around specialty drugs in this specifically categories of oncology, immunology and rare diseases. Second is around complex health conditions, cardiovascular, cancer, autoimmune disorders. And the third is behavioral health trends. This has been an outside driver of trend for some time, we expect it to continue. And when you look at the biggest category within behavioral health, it's autism spectrum disorder where the prevalence continues to increase.

We are building next-generation care models that factor in all these different cost levers across the ecosystem to deliver best-in-class performance. Let's take autism as an example. The financial burden of this often overlooked category is staggering. By the end of this year, it's expected autism costs in the US will reach \$460 billion. With a continued increase of prevalence of autism, we expect that this could be upwards of \$600 billion by 2030.

Families who have a child who is getting treated for autism incur 10 times more the healthcare costs. This is where Aetna comes in. We are building an autism total cost of care model, a first of its kind solution that addresses the co-occurring behavioral health and physical conditions like obesity and sleep disorders.

Our solution includes number of components. First one is innovative clinical model with a very specific benefit design that supports these kinds of conditions. The second and this has been mentioned a few time is the provider partners, high-quality providers that have proven outcomes in this space, follow the evidence-based medicine and are extremely effective in engaging families in the health. A robust advocacy model is a third component of this solution, helping families and these members navigate on the healthcare system again for all of these co-occurring conditions.

And finally, and most importantly, the integration of Health Services, medical, pharmacy, behavioral health. We're helping families optimize sites of care. We are taking a very complex and highly fragmented experience in the healthcare system. We're simplifying it with a scalable model. This will improve quality. We are aligning incentives across stakeholders, and also, this is going to just create a new type of – a new standard care for autism as well. This is another area we worked with families and members, we're going to be building trust at every touchpoint. So, then in addition to when we move from how we're managing total cost of care with new solutions, autism was just one example of how we're doing this for the future.

We're also looking at our internal operating model, and we have a very deliberate, disciplined, multi-year strategy to transform our business operations, our infrastructure and our processes, leveraging technology and AI. I'm going to use a couple – share a couple of examples of what we're doing at Aetna today. In our clinical operations, we've embedded AI to help improve the productivity of our nurses.

On average, our nurses are now saving 90 minutes a day in how they are preparing to engage and how they interact with members. This means our nurses can engage more members with complex condition and can close gaps in care. In our service operations, we're ready deploying AI agents and intelligent automation. We are proactively and preemptively solving member problems before they call us. We are on track by the end of next year to reduce our overall call center volume by 30%.

A third example is our platforms. We're consolidating and modernizing our platforms. So, Aetna has four care management platforms that we are consolidating and modernizing into one new solution. We are redefining our processes and our operations in order to help Aetna enable to be more competitive, deliver better service at a lower cost. We're also – this is a part of the foundation for a long-term margin expansion and also operational excellence. Our initiatives are already yielding really positive results, and it's allowing us to reinvest and position (00:47:12), reinvest in areas of growth and member value.

As we continue to transform our operations through technology and AI, we're also creating more frictionless, responsive and scalable platform for our provider partners. We are committed to improving the provider experience by reducing administrative burden, the day-to-day between Aetna and our provider partners, and also strengthening our relationships through clinical collaborations. Some examples of how we are already reducing administrative burden. We will improve claims accuracy. We've improved the timeliness of claims payment. We're also improving the timeliness of credentialing providers and onboarding them.

With respect to improving transparency, David mentioned this. We've done a lot of work in the areas of prior authorization. And the third is around how we're collaborating in a clinical way, and one of the most important things in healthcare is around transitions of care, when patients change from one care setting to another. So, we think about frictionless experiences and improving transparency, I'll give an example about prior authorizations.

For specific types of cancers and specific musculoskeletal conditions around knees and hips, there are often standard care paths that require multiple prior authorizations across the whole care path. We are bundling those prior authorizations into one at the first contact and we have this in market today with plans to expand. This has reduced the administrative burden. It's taken costs out of the system. It's also improved the provider and the member experience.

A second example is around interoperability. We are accelerating our ability to seamlessly exchange clinical data between Aetna and health systems and provider partners. This enables real time transactions. It enables us to pivot faster when trends emerge and shift. It also unlocks actionable insights to support a member's care continuum. I just want to touch for a minute on the clinical collaboration. So, I mentioned transitions of care. One of the most important and costly points in healthcare is when someone has to get discharged from a hospital. It is a challenge that every health system in America is facing today is getting patients discharged in a way that helps them continue to improve their health.

We are live in 17 health facility locations today with plans to expand with a new collaboration where we have embedded Aetna nurses onsite who work directly with the care team and the patient on the discharge. Whether that patient's going to their home, whether the patient's going to a skilled nursing facility or other stepdown facility, our program ensures that that patient, that member has the health and social services they need. This initiative already is showing reduced readmissions. We're lowering the total cost of care and we're improving care coordination. So that's just an example of how we're going to plan to expand. Our overall approach to improving the provider experience positions Aetna not just as the efficient payer, but also a preferred partner.

Beyond the provider experience, as David said, our ambition is to transform the consumer experience. Our vision is to create a truly differentiated experience, one where it feels like navigating the healthcare system is more of a guided journey that has personalized support every step of the way. We are building a portfolio of AI-native, digitally enabled capabilities, specifically focused on navigation advocacy to advance this and the experience. That's really what's different about my 30 years in healthcare is how technology can help us transform those experiences. And we are defining solutions that address both the health and social needs of these members.

For these specific AI capabilities, we've already embedded them in our advocacy program and our integrated service model. That's our service model where we support Aetna and Caremark members who have both coverage. We are already seeing proven results, higher satisfaction, higher engagement rates and we've also been driving lower costs. This is something - these are capabilities that we're going to continue to expand across our portfolio as well.

And finally, we're leading with digital-first experiences. We just found out, I think in the past few weeks that Aetna's website was just named number one by Corporate Insights, which we're really proud of. Our goal is to make the CVS Health app and the Aetna Health app, the trusted source for continued interactions with members, delivering real-time clinical insights, integrating access to other services like virtual care or specialty pharmacy and also simplifying navigation for our members by proactively matching members to providers who are offering the services they're looking for.

Our strategy combines clinical rigor with digital innovation to bring us new products to market. One example is Aetna Care Paths, which we will be demonstrating for those who are attending the Product and Innovation Showcase down the hall later today, you'll see this. Care Paths is a condition-specific digital pathway that provides personalized interventions, timely interventions, and coordinates care teams across multiple issues or conditions that a member is facing.

This is something where we have live with several conditions today and we are prioritizing some of the high cost conditions I mentioned to build Care Paths for members in this respect also. These new solutions are going to help us improve outcomes, they're going to reduce costs and they're also going to unlock scalable growth opportunities for Aetna.

So, I think Steve is going to come up for - I'm just going to - just want to share a personnel. So, we're - I'm really excited about we're executing a transformative strategy. These are just a few examples that we had time to share today and what Aetna is doing with support from CVS capabilities. I've been here over the past year. I've been in the company 25 years past year right now. I came back to Aetna last year, really proud of the progress we've made. We've not just stabilized and advanced our foundation. We've also leapfrogged in category. So, I'm really excited about the innovations we're going to continue to bring to the market. With that, Steve.

Steven H. Nelson

Thanks, Katerina. So, hopefully you can see why I was so excited to have Katerina up here. And hopefully, that also makes this idea of transforming from a transaction orientation to an actual consumer driven solutions company feel more real to you. This is the work that we're excited about. And by the way, in terms of becoming a truly consumer-driven solutions company, there's no healthcare company that has the kind of consumer insights that we have. And so, we are leaning into that. And then the technology that we have, Katerina talked about, you'll hear more about it. I mean, it is lights out. And so, we are going to make sure that we bring that to the market and everything that we do.

So, making tremendous progress, the momentum is real, management rigor, operating discipline, focus, relentless execution. All the plan is working. You can see that. What you can't see is as you walk the halls of this campus or as I travel around and talk to our colleagues that are doing this work, the excitement and enthusiasm, the pride is palpable. And as I shared with our colleagues in a gratitude message right before Thanksgiving. While it has been, in my over 30 years of doing this, the most challenging and intense year that I've seen in healthcare, it's the most personally fulfilling that I've been able to experience (00:55:00).

So honored to be part of it. Just going to recommit to you. We are going to stay on the path to return this business to target margins. We're making great strides and we're going to stay on that path. We are also going to continue to build leading capabilities to bring those to our clients, our members and our providers. And doing so, we are going to meaningfully contribute to David and our enterprise's ambition to become America's most trusted healthcare company. Thank you.

Now, it's my pleasure to bring Sree up to talk about Health Care Delivery. Sree?

Sreekanth Chaguturu

Thanks, Steve, that was great. And thank you, Katerina. So good morning. I'm excited to be here. My name is Sree Chaguturu. I joined CVS Health in 2019 as the Chief Medical Officer. And now, I have the distinct pleasure and honor to lead Health Care Delivery. In over the conversation and presentation today, I'm excited to share with you where are we and where are we headed with Health Care Delivery.

And so as I get started, I just want to reiterate some of the facts that David and Steve had shared with you. We have a crisis in trust, in healthcare, and a number of problems and some worth reiterating right now. 30% of patients have no primary care in America. One out of three Americans live in a healthcare desert. And what

we see is that healthcare costs are incredibly concentrated. 5% of patients in Medicare account for 50% of the costs. And it's in that context that CVS Health has built our Health Care Delivery strategy.

We are not building the full ecosystem. What we're doing is we're focused on the issues that are impacting our clients, our customers, our patients, and our country. We have three businesses that are disrupting the traditional physician office. That's Oak Street Health, Signify Health, and MinuteClinic. And through these, we are focused on building trust through our access and through our engagement and ultimately, resulting in better outcomes. And so, what I hope to do now is to discuss with you how we're going to drive our core value proposition in each of these businesses. But also, how are we evolving each of these businesses.

So, I'm going to first dive into value-based care in Oak Street Health. And I think what we can all agree upon is that fee-for-service has been a failed experiment in improving quality and outcomes, whereas VBC, value-based care is explicitly focused on exactly that. How do we improve quality and outcomes and not just drive volume? And it's critical for the US healthcare system.

It's a way for us to create durable cost savings in a market that's demanding affordability and quality. And that's where Oak Street Health comes into play and why it's so important to American healthcare. It is a premier value-based care practice and our clinical care model works. What we see is that there's a 40% reduction in admissions per 1,000 compared to a traditional Medicare member.

And how do we do this? We do this through member engagement and a comprehensive team-based primary care model. And these are not just feel-good stats. When Oak Street Health wins, our payers win, and our patients win. And I am confident in the Oak Street Health model. But it is worth saying this explicitly, that this is a challenging time for value-based care and this is industry-wide. And what we see is three industry-wide factors. First, medical costs are rising post-pandemic as people return to care. Second, what we see is that reimbursement rates are lagging. And third, there's been volatility in the risk adjustment models.

And what has happened is that we have seen that reimbursement has been insufficient to cover medical costs and value-based care providers are navigating margin compression. In addition to these industry wide factors, we grew rapidly Oak Street Health's footprint into this environment. And this is a trough period for value-based care, but I'm bullish on where value-based care will head, and we are uniquely positioned to navigate this environment and come out stronger.

So, given these headwinds, we've adjusted Oak Street Health's strategy. We've moved from a fast paced clinic growth mentality to laser focus on margin improvement. We've closed a small number of clinics without a clear plan to profitability, and we have a clear go-forward improvement plan. And we're working with urgency and the focus is on revenue and growth, net cost, and operations.

So, let's start with revenue and growth. We're focused on smart growth not through new clinics, but focused on our patient panels in our existing clinics. Our center scale without new construction and that allows us to manage our fixed costs and deepen our market penetration and deepen our relationships with our payer colleagues.

Next is v28 mitigation. I'm pleased to report that we're on track and that creates revenue predictability. As a reminder, v28 is a new risk adjustment model and it requires updated approaches and precision in identifying clinical diagnoses. And we're doing that by leveraging artificial intelligence to improve our screening, diagnosis and evaluation, and make sure we have appropriate documentation and the speed to treatment. And again, I'm pleased with our v28 mitigation.

Next, active payer engagement and renegotiation. We are building sustainable risk-sharing arrangements as we reopen our conversations with our payers to ensure that we align the economics with today's realities. And we're having very productive conversations with our payer colleagues and we are willing to walk away if there is any issue. So, next medical cost management.

This is core to how we improve quality outcomes and we are evolving our population health management tactics such as pharmacy management and specialty partnerships to drive total cost of care. And next, we are focused on our cost structure. Reducing our fixed costs and restructuring to prove our clinic-level economics. We're investing in technology. We're updating our technology stack, powered by artificial intelligence and advanced analytics. And that allows us to engage our patient engagement and also to drive clinic efficiency.

And lastly, we have a new leadership team, which I'm incredibly excited about. They are working and driving operational excellence. They're bringing fresh perspectives, disciplined execution, and they're working with urgency to address these factors that we've talked about with Oak Street Health.

And looking ahead, I see financial improvement starting in 2026 with long-term margin targets of mid to high single-digits, and I'm incredibly confident in Oak Street Health's future. So now, I'm going to shift gears to Signify Health. What we see with Signify Health is strong performance that's offsetting Health Care Delivery's other challenges, and it's positioned for continued growth.

And as a reminder, what does Signify Health do? It provides in-home health evaluations, IHEs for health plans and providers. We provide a one-hour in-home visit providing a number of services medication, reconciliation, identifying undiagnosed or unmanaged chronic conditions, evaluating home safety, and importantly, connecting people back into the care that they need to their primary care or specialty care needs.

We have had 3.5 million Americans welcome Signify into their home this year, and that's powered by our 10,000 clinicians and our leading logistics and technology platform. And in that context, we're strengthening our core offering. We're upgrading our data platforms, our analytics, and our clinician tools. That allows us to do smarter scheduling, better member targeting. And why that matters is that allows us to drive more IHEs, in-home health evaluations in 2026. That allows us to deepen our client relationships and provide consistent growth. This also sets us up for two more offerings.

One is direct connect. In addition to the work that we do to help patients identify the doctors and services that they need or connect to follow-up care, we are now providing warm handoff to payer care management and this allows us to be an extended engagement engine for payers, allowing them to help support not only their clinical care, but their social determinants of transportation, rent, and medical supplies. And we feed our 300 clinical data points and social data points into that direct connect offering.

And next is our quality-focused visits. With our quality-focused visits, these are targeted approaches to help improve quality scores. It can be a standalone visit or a second visit after the in-home health evaluation. This allows us to close care gaps, and it's a great proof point of the level of trust and engagement when we're in the home. What we've seen is that members are six times more likely to allow a Signify provider to prescribe a statin compared to traditional medication therapy management programs. And so, as I look ahead, I'm incredibly excited about where Signify is headed, not only as an operational partner, but as a clinical partner. We're going to continue to grow the core business while diversifying into new service lines.

And finally, MinuteClinic. You know MinuteClinic well. It delivers an omnichannel care model. We have 800-plus clinics in over 30 states, and we have virtual visits, seven days a week in 50 states with deep integration into pharmacy. And over the 25 year history of MinuteClinic, the patients' needs have evolved and

MinuteClinic has evolved alongside them. We started with affordable access to acute care and we added chronic and preventative services.

And with that, I'm pleased to announce that we've launched primary care alongside our acute care services. We've introduced primary care in over 400 clinics this year, which means that we have built one of the largest primary care practices in America. And we're solving a market need and patients love this. Our NPS is over 80. Patients love the experience, and what we see is we have a one day wait time compared to a national average of several weeks.

15% of our patients are – who come in for acute care visits are coming in to join our primary care panels, and we're keeping them incredibly engaged. 60% are returning for wellness exam in six to eight weeks. And looking ahead, MinuteClinic will continue to provide convenient care, alongside primary care. By offering both, we are improving visit volume, and we're improving revenue per visit. And it allows us to deliver the high value services that patients are needing and desiring, deepening our relationships in the community.

Technology is at the core of our disruptive businesses. We're leveraging AI to make our businesses smarter and stronger. So, let me give you a couple of examples of this. We are using AI scribes to reduce administrative burden for almost all of our visits, and that's allowed us to increase our clinical capacity of our care teams. Now that I've mentioned around v28, what we have built is a clinical insights engine, which has allowed us to use artificial intelligence to combine internal and external data and surface 2 million insights to our provider in their workflow, supporting personalized high quality care for our patients and members.

We are also using AI in our core functions to allow us to improve call center functions and medical record exchange. These capabilities are helping us to improve our cost structure and optimize our clinical effectiveness. This is an exciting time for Health Care Delivery, but I just want to state my own personal enthusiasm to be leading our change in delivering healthcare affordability. We are tackling the hardest problems, and we're doing this at scale.

And as I look ahead across our businesses, we have clear plans. Oak Street Health has a clear plan for the future, with multiple actions underway, with substantial financial improvement for 2026 and beyond. With Signify, we're improving our in-home health evaluation, our core offering while introducing new offerings, diversifying the business and deepening our relationship with our clients. And with MinuteClinic, we're offering primary care alongside episodic care to improve engagement and our core fundamental economics.

And across all of our businesses, we're investing in technology and strengthening our payer partnerships, driving operational rigor and evolving our businesses. Our commitment is to deliver high-quality, cost-effective care, addressing consumer needs while delivering meaningful, improved performance. We are positioning Health Care Delivery as a growth engine with a path to breakeven as we drive towards profitability. We're creating long-term value for patients, partners and shareholders. And I'm excited for the future ahead.

And with that, I'm excited to introduce my good friend Ed, who will tell us more about where Caremark is headed.

Ed DeVaney

So, Sree, thank you for the introduction. And as mentioned, my name is Ed DeVaney. I am privileged to lead CVS Caremark. Joining me a little bit later will be Lucille Accetta. She is CVS' Chief Pharmacy Officer and also the leader of our Specialty Pharmacy operations.

To jump right in, US healthcare is truly at an inflection point. Specifically, we have an affordability crisis both within medical and pharmacy. And within CVS Caremark, we fundamentally believe we have a responsibility to change and how – change the market, recognizing we have the right people, the right assets and the right strategy. And it ultimately all starts with how we deliver for our clients.

So, as David had mentioned, our aspiration is to be the most trusted company in healthcare. And for Caremark, that ultimately means delivering best-in-class transparent services to clients and to the end consumer. We believe strongly that the market will always inform you if and when you are on the right path, and we could not be more proud of our most recent 2026 selling season, where we retained more than 98% of our customers and won more than \$6 billion in new business.

The question is, why were we successful? Our priorities are aligned to customers' needs. As you heard from Andy, our trusted partner from Salesforce in the earlier video. Aligning and solving customer needs have always guided our strategies and we're confident that this continued alignment will enable future growth and success within this dynamic environment. These same four priorities they've enabled our growth and success looking back, and we're confident these four priorities will guide our success moving forward.

So, our four priorities. Number one is delivering lowest net cost pricing. This is by far the number one factor that our clients seek from us. And as the largest purchaser of drugs, we leverage our scale which enables us to deliver tens of billions of dollars of savings to customers each and every year. Number two is creating simple connected experiences. Our member experience or the member experience is the second most important factor for benefit decision makers. We have already invested into the latest technology, including AI, to deliver frictionless, connected experiences.

Number three is innovating with transparency and choice. We've always been transparent with our customers, but there are changing market dynamics and we need to bring the same transparent focus to the end consumer as we advance forward. I'm going to share more on this just a little bit later. And number four is maintaining specialty leadership. Caremark has been a specialty leader now for 40-plus years. We are the largest and best-performing specialty pharmacy in the country today, and as you heard from Katerina, specialty costs are a major concern for health plans, employers, and the end consumers. These drugs represent about 2% of the total drug mix, but driving well north of 50% of our customers spend.

So looking back, it's important to note that these priorities have allowed us to successfully navigate changes in the marketplace, and we have consistently delivered margins in or around 4%. Looking forward, as we once again navigate changing market dynamics, we are confident that the value we deliver to customers will enable us to earn similar margins as we advance forward. And we do believe Caremark plays a critical role within the marketplace.

So taking a step back, I think it's important to understand why our customers need PBMs. I've been in this market for 20 years now, and we have successfully delivered significant value in a market that has always had cross-subsidized pricing and consultants that continue to perpetuate a market basket pricing model. This has ultimately today led to two items. One, there is a perceived lack of transparency for customers and the end consumer. And number two, this is what is driving the negative rhetoric and fundamentally the misunderstanding of the business model. I'm proud within CVS Caremark, we recognize these issues well

more than three years ago and we are the ones that are truly leading the change that you're seeing in the marketplace today.

But I do want to share why PBMs are needed today more than ever. Pharmacy costs are a growing burden for all. It shows up in the headlines, boardrooms, at the kitchen table, but ultimately for consumers while at the pharmacy counter. We take this responsibility very seriously. And because we are the only ones within the supply chain that sole purpose is to reduce the cost of prescriptions. We are best at it and confident that we will continue to deliver the right drug at the right price to deliver the right clinical outcome. And as long as plan sponsors play a role in healthcare, there will always need to be an entity such as CVS Caremark, laser focused on lowering costs. So, how do we do this? There are three main components to the proven CVS Caremark formula. It all starts with the unit cost.

We all know the manufacturers are the ones that set the list price on medications. We are uniquely positioned as a largest purchaser of drugs to leverage our scale, drive competition and bring down prices, which ultimately increases affordability. Second is drug mix. We develop formularies in alignment with our customers' unique goals and strategies. Our formularies balance costs and coverage, driving towards clinically efficacious outcomes at the lowest net cost.

And third is utilization. This is primarily used for the 10% of drugs driving almost 90% of the cost in our system brand name drugs. We leverage our tools to A), drive clinical appropriateness, safety and eliminating wasteful spend for our customers. This is a proven formula and has delivered significant results. So, I do want to share a couple of stories with you. One, where clients are facing more than \$1 billion of additional costs on an annualized basis where we could not leverage our proven formula. And second, where we are saving our clients more than \$1.5 billion because we can leverage our proven formula. So, let me first start with the story of when we can't use all the tools at our disposal.

So, on HIV PrEP, this is a competitive class. At CVS Health, we strongly support broad access to these life-changing products. But it's important to note, clients rely on us to manage the drug mix across the class, deliver the best clinical outcomes, and bring affordability into the equation. Historically, we've leveraged our proven formulary within this class. And we have traditionally steered members to low cost generics. These generics on average cost less than \$1,000 a year. But now with the ACA mandate, all HIV PrEP drugs need to be covered at parity. And this has ultimately created unintended consequences.

Members had migrated to brand name drugs, with prices now exceeding more than \$20,000 a year, which is ultimately leading to our clients having more than \$1 billion of add-on cost that's within the system. In spite of these challenges, we continue to negotiate for affordable access, meaningful progress we are making and we do intend to bring new value to our customers very shortly.

So, in contrast, let's look at the value we had delivered with biosimilars where we could use all the tools at our disposal. First, we were the first PBM to exclude reference brand Humira from our template formulary. Humira had a list price of \$6,900 and we brought forward a low list price biosimilar that came at a price of 81% reduction off that list. But as I had mentioned earlier, unit price is just one piece of the formula. Drug mix is awfully important here. We drove 96% adoption from the high cost reference brand to the low list price biosimilar. 80-plus percent of those members paid \$0 out of pocket. And we are ultimately delivering more than \$1.5 billion in savings for the customers in which we are privileged to serve.

I also had mentioned earlier the second most critical factor for benefit decision-makers is creating a best-in-class member experience. We delivered a frictionless experience for the end consumer, for our customers and even the providers. By leveraging our proprietary technology to embed ourselves into the prescriber workflow, it ultimately enabled prescribers to approve the biosimilar switch within a matter of minutes. This

is why clients need PBMs. And today, our role is more critical than ever as you look at some of the industry dynamics.

As David had mentioned, we do have an affordability crisis in healthcare and consumers are ultimately demanding action. There are two factors that are driving some of the swirl that you are hearing in the marketplace. There – specifically, there's pressure on both payers and consumers, which is ultimately driven by consumer out-of-pocket exposure. Employee plan designs have shifted substantially over the last 10 years. More than 40% of Americans today are enrolled in a high deductible health plan, which ultimately means these members are paying full list price on brands while they are in their deductible phase.

And second is expensive brand drug launches. The median price today of new brands entering the market is \$350,000. These high drug prices is ultimately what is driving members and consumers to demand regulatory action. And there's no better example of these two previous dynamics coming together than what we have seen with weight loss GLP-1s. Everyone wants to cover these medications but can't because of their current prices. And those that cover it, while they believe in the health outcomes, they are feeling a massive affordability problem. And for those that don't, are seeking ways to cover options for members, but they're concerned about budget busting costs as a result.

Our customers demand affordability. And in 2025, we're proud to state we took the lead in the marketplace and created competition in a class that traditionally had been evaded for years. We lowered the price and are delivering value not only to the end consumer, but also to our clients. We fundamentally let the manufacturers know that the price had to change, and our actions set in motion, the wave of announcements you have recently seen on the lowering drug prices. We will continue to act with urgency to make these drugs more affordable in the market for the clients and consumers in which we serve.

And while there are many dynamics driving drug prices higher, the single biggest opportunity we have in the marketplace is on biosimilars. It is approximately a \$10 billion market today. By the end of this decade, it will grow to more than \$100 billion. This is a huge opportunity. The market has a robust headline – pipeline quickly ahead of us. And within Caremark, we have written the playbook and we have set the standard and how to shift share to low list price biosimilar. Now, if you think about the success PBMs have had with generic medications looking back, this is the success that we believe we'll have with biosimilars looking forward.

We have consistently shown in the marketplace that CVS Caremark is a leader. And as I just said, we were the first PBM to drive biosimilar adoption in the United States. First, to create meaningful competition in the weight loss GLP-1 class by excluding Zepbound from our template formulary. The first to announce pass-through of 99-plus-percent of the rebates, the first to drive point-of-sale rebates in the marketplace, and the first to ensure drug-level pricing align to acquisition costs. And finally, we are the first PBM to move to a hyper-transparent pricing model, of which we have named TrueCost.

This new pricing model is built for transparency, durability and stable margins. It's built on a net cost-based drug-level pricing. It is by far the most simple, most transparent economic model in the industry, which ultimately means today we can drive alignment, certainty, and eliminate any confusion on the value in which we deliver in the market day in and day out. Our guiding principles remain unchanged, lowest net cost and choice. We are agnostic to how that's achieved, whether it's through rebates or other discounts. But the benefits are very, very clear to us.

For clients, they are making informed decisions based upon the net costs of each and every drug. That's more than 12,000 drugs that we are showing and articulating the customer to net costs. For members, they have predictability and confidence, while at the pharmacy counter. We have been in the market for over two years.

We've seen significant progress with clients and consultants. And I do want to make this clear. This model is live. It is road tested. It's built to adapt to a dynamic environment, and delivering margins in alignment with what you've come to expect from CVS Caremark. This transformation of our model is just one way we are leading the industry forward with innovation. We've also been on a journey to become the most tech-enabled PBM.

So at Caremark, our customers routinely tell us the two most important factors to them: how can you drive affordability and value and pharmacy economics; and two, how can you deliver a best-in-class member experience. The innovations I've laid out to you and the value we have delivered are only possible by leveraging our latest technology capabilities that allow us to drive efficiency, growth and ultimately differentiation for us within the marketplace. We are the tech-forward PBM with unmatched scale, security and integration.

We can process more than 300 claims a second during our peak period with rapid and precise failover, if and when necessary. So, let me give you a few examples of how we're using our technology to improve what matters most to our clients. We are leveraging AI to enhance member care. As a result, we're seeing 99% first call resolution and an average speed of answer now of 10 seconds.

We leveraged GLP-1 – we leveraged GenAI with our GLP-1 analytics to identify members who may need dietary or support services. This positions us as a platform of choice and creates opportunities for us to deliver weight management solution to the end consumer. And creating differentiated experiences. We leverage our proprietary technology to remove friction, drive best clinical outcomes at the lowest net costs.

We have embedded ourselves into the prescriber workflow. We are now articulating to prescribers the out-of-pocket price of each and every medication, and also offering up other drugs that might be more affordable for the consumer if the prescriber wishes to go that route. And for members, we are all ultimately simplifying the experience because we handle the administrative burden.

Today, 90% of our prior authorization approvals are completed within 24 hours with a median turnaround time of just over 3 hours. Tilak will share more about how we continue to advance our market-leading technology assets, and there's no better example of how and where we leverage technology than within the specialty pharmacy, of which I could not be more excited to bring Lucille to the stage.

Lucille Accetta

Thank you, Ed. Good morning. Hello, everyone. I'm Lucille Accetta, CVS Health's Chief Pharmacy Officer. I've been with CVS since 2017, and bring nearly four decades of pharmacy experience. I am so privileged to serve in this role advancing the scope and the practice of pharmacy, and empowering our nearly 30,000 pharmacists to care for patients in their communities across the United States. And I work in collaboration with Len and his team. I'm also honored to be the Head of CVS Specialty, overseeing the care of our country's most critically complex patients with the most talented colleagues.

Let me frame how important Specialty business is. Half of the drug spend in the United States is driven by 2% of the population that are taking these specialty medications. You heard a little bit from Andy how some of them are life-saving in his company. Specialty continues to be one of the fastest growing parts of the healthcare market, expected to reach \$425 billion in product revenue by 2028.

I'm proud to say we are the nation's number one specialty pharmacy. We are trusted to care for 2.2 million chronically complex patients. And you saw one of them, Trish, with her four children. We serve every state in the United States, Puerto Rico and Guam out of our 46 specialty locations. We take this responsibility extremely seriously.

These patients rely on our pharmacists' clinical expertise as part of their care plans, and they expect and want our pharmacy team to quickly and reliably dispense nearly 17 million prescriptions we did just this year. Our pharmacists provide high-quality care to our patients. We lead the industry with 10 distinct specialty pharmacy accreditations. We deliver outstanding superior results, as evidenced by our 98% Quality of Life score. And our patients, they see the difference, awarding our specialty pharmacy with an all-time high Net Promoter Score.

In specialty, we serve two types of customer groups: the payer-driven market, and the open market. In the payer-driven market, Caremark clients choose CVS to be their specialty pharmacy. An example is Andy. For payers, our specialty pharmacy is critical to helping to manage their drug spend and to operationalize Caremark's low net cost promise. So you heard Ed say about how we hit the 96% biosimilar adoption that was through the work of the pharmacy. So, biosimilars and generics are key in this payer market.

In the open market, this is where patients and prescribers have choice on where to obtain and receive their specialty prescriptions. Today, greater than half of the prescriptions we receive are coming in through outside our exclusive contract, which means we are winning scripts due to our ability to simplify the process for our prescribers and our patients, and we're doing this because we're starting them quickly, we're keeping them adherent, and we're providing better outcomes.

How did we achieve this leadership role is because we are the most tech-enabled specialty pharmacy. It's our technology, and you'll see more of it today, that empowers us to deliver fast service, minimizing friction for our doctors and our patients to provide that exceptional care. Come inside our pharmacies. We've deployed industry-leading artificial intelligence and automation to dramatically streamline the process. In just the last three years, we have reduced the average time it takes to start a patient on therapy by 45%, and we're not done yet.

Our North Star is to take this highly complex process for starting a patient on therapy, which can take days, sometimes weeks on some of these therapies, down to just one day. We're also using technology to remove friction for our 160,000 prescribers by connecting right into their electronic health systems. And this process simplifies their experience, and that gives us more than 70% of the referrals are sent to us from these prescribers who are connected to us.

And even with this connectivity, we go even further. We've been doing this for a while with prior authorizations, utilizing the electronic health record for them. We can proactively inform doctors about formulary and network updates, and we can also help transition these patients to more cost-effective therapies like generics and biosimilars in a click for the doc. And as you will see in the product showcase, all of this is happening in the background, and so it's very frictionless for the patient.

Technology is also helping our pharmacists deliver exceptional and highly personalized care. And let me give you an example. Advanced AI analyzes the patient data, and helps us spot those patients who are not

adherent, so that we can more effectively engage with them.

We have the pharmacist AI assistant that does the legwork in compiling all this data about the patient from their profile, so that the pharmacist can focus on the conversation with that patient, very similar to what Katerina shared about the nurses. Put very simply, we are turning the industry norm on its head, by using technology to take a very drawn out, burdensome process and streamlining it, so it puts patients really at the time they need the medication and providing them that high-quality service they deserve.

We also know the importance of an omni-channel solution. It's critical to continue engaging patients in the ways they want to be engaged. And 98% of our specialty patients are digitally engaged with us, giving them the ability to manage their prescriptions right from their phone. And you'll see in the showcase that our app gives them the power to schedule shipments, check details on their order status, get cost estimates, and chat with our clinicians. And our tech roadmap will continue to evolve, and we will continue to build our position as the nation's number one specialty pharmacy.

We're also making it very easy for them to receive their medications their way, delivered to the home, delivered to the office, or pick up in one of our 9,000 pharmacies. 1 in 10 patients today take advantage of this opportunity, and it's a differentiator unmatched in the industry. Take all these capabilities. They also make us a partner of choice for pharma, resulting in strong access to novel therapies and limited distribution drugs. And as the specialty pipeline consists of more complex drugs coming to market, our clinical results, our operational excellence, our nursing capabilities position us to continue to win.

So, I'll wrap up with three points. First, CVS Specialty is the nation's leading specialty pharmacy, and is positioned to continue to keep leading this fast-growing healthcare segment. Second, we'll keep growing as the preferred specialty pharmacy for payers, prescribers and patients. And finally, we will deliver on our value prop to customers by continuing to lead in the market by using our tech-enabled capabilities, our personalized omni-channel solutions, and the deep clinical expertise of our clinicians, driving greater volume, retention and sustained growth.

Thank you for your time today. I'll hand it back to Ed.

Ed DeVaney

So, thank you, Lucille. It's truly an honor to share the stage with you. And hopefully, what you saw from us is within CVS Caremark, we know we play a vital role in the affordability of prescription drugs, and we also believe we play a huge role in the overall healthcare system. Specifically when clients feel pressure, they need us even more. And the work we do today to us is more important than at any point in our company's history.

So, Caremark is leading the industry with the model that's grounded in lowest net cost and simplicity. These priorities have again allowed us to navigate change looking back and, consistently, delivered margins in or around 4%. As we once again navigate these changing market dynamics, plus the evolution of our economic model, we are confident that the value we continue to deliver to customers will enable us to earn similarly attractive margins looking forward.

I certainly appreciate your time. And now, I'd like to turn it over to Len, who leads PCW.

Leonard P. Shankman

Thanks, Ed. Thanks, Lucille. And good morning. My name is Len Shankman. And let me start by saying it's a privilege to be onstage today, representing our nearly 200,000 colleagues that care for and serve millions of clients every day. A quick background on me. I've been with the company for over 20 years now. And prior to this role, I was the segment CFO for the prior five years.

I understand our history, our operations and our financials, and I have a deep respect for the importance our stores play in the thousands of communities we serve nationwide. We are the front door to our enterprise. I have a clear vision of where we're heading, and the role this business plays in the future of healthcare.

As we pursue that vision, our customers' well-being and experience remain our primary ambition. In alignment to that ambition, we fundamentally believe in three core principles. Healthcare is best delivered locally and in the community. It's best delivered by trusted, caring and tech-enabled colleagues. And our retail customers desire freedom to shop and engage in a way that's most convenient for their busy lives. Our connected system of local storefronts is CVS Health's most differentiated strength.

For 60 years, we've cultivated our local presence, which is where our customers seek care, search to have healthcare simplified, and pursue items that they need quickly. And while we continue to build upon that local heritage, we've begun to supercharge it by seamlessly networking virtually, digitally through our CVS Health app, and concurrently with other enterprise assets.

Through this connected system, we're able to deliver strong pharmacy economics, industry-leading medication adherence performance, and high levels of service; all done efficiently at scale. Our colleagues bring our stores, distribution centers and support centers to life with a vibrancy and reliability that our customers count on. Our store colleagues are familiar faces that not only work in the community, but in most cases live there as well.

And while it's obvious that our colleagues are smart, caring and attentive professionals, the real net result of their impact is the most frequent, reliable and trusted connection in all of healthcare. A recent survey showed consumers trust their local pharmacist, and the majority of patients see pharmacies as a credible source of healthcare. And we shouldn't forget, our colleagues also connect us with benefit managers, dozens of health plan providers and thousands of medical providers, placing us in the center of many healthcare interactions.

And finally, our customers are looking for true omni-channel options in moments that matter, whether it's using our drive-thru or having a prescription delivered, getting expert advice in person from our pharmacy teams, walking in for an immunization or scheduling an appointment or shopping in the front store, picking up preordered items or using the delivery marketplace to conveniently get products quickly. The breadth of our offerings make CVS incredibly well positioned to offer a complete omni-channel experience.

And so, what does all this mean? It means we serve nearly one in two people in this country, and they seek our brand over others. And we're dispensing more needed prescriptions than ever before, served by our colleagues, including our 30,000 pharmacists who are deeply rooted in local communities across the country. Our front store business continues to gain unit share against all retail, and our customer base continues to grow at a remarkable pace.

Notably, Gen Z customers are also embracing CVS, with a growth rate outpacing other segments by at least twofold. Simply stated, with 9,000-plus connected locations, we've built a distinct competitive advantage, and no one else in healthcare can replicate it. And we're using it to deliver consistent performance and expand the role we play in customers' everyday health and retail convenience. But we didn't get here by chance. Our strategy to focus on customer well-being and experience provided clarity to our decision making, and drove a

very intentional investment approach. With a renewed attention to service and a tradition of executing with excellence, we've emerged as the best-run national pharmacy in the country.

Let me start by reminding you of some of the historic pressures that our industry was facing: pharmacy margin compression, a constrained labor market, and an antiquated pharmacy experience. We directly addressed those pressures through a series of purposeful initiatives. First, we began to modernize our approach to the pharmacy reimbursement model for the first time in over a decade. Through CVS CostVantage, we intend to bring transparency, simplicity and long-term durability to the pharmacy economics. And, importantly, we're doing this while continuing to deliver significant annual value for our B2B partners.

Next, we focused on initiatives that reduced our cost structure and strengthened adjacent lines of business. We were the first to recognize the need to de-densify our footprint. We executed well, minimized disruption, retained most of our customers and colleagues, while maintaining our local community presence. And as a result, the stores we operate today are healthier, more efficient and substantially all standalone stores are profitable. We also expanded into adjacent healthcare areas such as immunizations and emerged as a trusted and convenient destination for Americans.

With the capacity created from lower cost structure and expansion into adjacent services, we've reinvested in technology and our people. We invested in colleague wages and hours. We developed a patented, dynamic workload-sharing capability across our pharmacies, which has allowed more than 1 billion tasks to be shared. We prioritized digital enablement to personalize enhanced omni-channel experiences that our customers appreciate.

In fact, CVS Health has 17 million monthly active app users with a strong customer engagement and satisfaction. And we didn't stop there. We made smart choices to optimize inventory levels, increase marketing efficiency, and expand our retail vendors.

And these strategic decisions and investments have positioned us to operate the business in an efficient, sustainable manner with clear and improving results. And let me just highlight a few examples. We have the highest colleague experience scores and the lowest colleague turnover in years. We're seeing strong customer Net Promoter Scores, up 1,000 basis points since 2021. And we're driving strong customer retention, resulting in increased foot traffic in our front store. Our performance is a direct result of our ability to anticipate market dynamics, take action, and lead the industry.

So what does this all lead up to? At our last Investor Day, we told you due to headwinds facing this industry, we expected the long-term earnings outlook of the business to consistently decline 5% annually. We were also clear that despite these challenges, we remained committed to the business. We so strongly believe in community pharmacy that this year we invested in serving 9 million new patients as one of our competitors exited. With the acquisition of 63 stores in the Pacific Northwest and over 600 file buys, we've enhanced our coast-to-coast presence. And as I said before, we believe that healthcare is local, and that community pharmacy has been and will continue to be a critical component of Health Care Delivery in this country.

Since our last Investor Day, we have driven stronger-than-expected performance across key financial and operating metrics. And because of this, we're establishing a new trajectory for this business. Through our strengthened operations, our deep connections with customers, and the trusted role we play in healthcare, we believe that earnings will no longer persistently decline, and that we will deliver at least flat earnings each year. Later in the agenda, you'll hear more from Brian about the business outlook, but let me just say, I'm confident in my leadership team, our capabilities, and the returns this business will deliver going forward.

While the outlook has improved, we're not resting on our laurels. Looking ahead, we're focused on building upon a renewed foundation by ensuring durability of our core business. Continuing to invest in powering our business with best-in-class technology, to drive greater operating efficiency and leading colleague and customer experiences, and creating opportunities for enterprise enablement. Building on our strong momentum, we expect to strengthen the durability of our core business in several ways.

By January of 2026, our goal is to have successfully transitioned our commercial and government customers to cost-based models and to maintain that over time. This transition more closely aligns pharmacy reimbursement with the underlying cost of the business and the value we deliver as a local community pharmacy. It also addresses cross-subsidization of brands and generics, creating a more transparent marketplace with greater stability and predictability in margins.

In the front store, we're focused on being the most convenient option for mission-driven trips. We will continue to strengthen our value proposition by delivering greater price to value, relationship and expand and localize our selection of sought-after merchandise. We will achieve this through a combination of tactics like simplified promotions, dynamic pricing, price reductions on everyday essentials, affordable store brands like Well Market and Joyward, which are resonating strongly with our customers, and localized assortments to meet customer expectations in their community. And we're continuing our decades' long legacy to operate with excellence, ensuring that we're efficiently, predictably and consistently meeting customers' expectations.

Our expectations for durability are also grounded in the ability to operate at scale that's unmatched in this competitive and regulated business. And we're focused on maintaining and advancing our leading position. Let me quickly highlight some of those differentiated points of scale. First, we negotiate the best-in-class pharmacy procurement as one of the largest purchasers of medications in the country.

Second, I've mentioned our colleagues several times. Their expertise, reliability and availability are unrivaled in this business. And they're led by an empowered leadership team, fully aligned to deliver service, simplicity and support to our customers. Third, we have a robust supply chain, which we don't often talk about. It mixes in-house and outsourced capabilities to deliver products in a stable, efficient, cost-effective way. Additionally, our diversity of suppliers help us better manage through disruptive events that can occur in the larger marketplace.

We also offer true omni-channel optionality, whether that's in-person, with nearly all of our stores open seven days a week, through in-store pick-up or drive-thru, or choosing leading delivery capabilities that rival any competitor, so that customers can get what they need, when, and how they want it. We interact daily with approximately 5 million customers and own the longest-standing loyalty program in the drug space with more than 75 million ExtraCare members. And finally, we run this business with proven cost management practices and discipline.

So, let me shift to technology. Our strategy in technology is people-led. It enables our colleagues to deliver safer, more efficient and fulfilling customer experiences. We see technology as a unifying, simplifying and personalizing engine that improves our ability to consistently improve customer outcomes. It can show up in more meaningful pharmacist to patient interactions, improve pricing decisions, shorter wait times, expanded omni-channel options or greater operating efficiency. In fact, we've purposed more than 1 million pharmacist hours annually to patient care and interaction.

Let me briefly highlight a few ways we're enabling the entire enterprise with AI-driven technology, several of which you'll see later as part of the showcase. First, we're using our technology to run the business more effectively. As an example, we make more than 2 billion front store pricing decisions each year. We're developing AI-driven models to simplify and semi-automate this process, whereas historically they were

manual and rule-driven. We're also investing in supply chain modernization, including warehouse management systems, AI-driven replenishment, and new automated fulfillment that will consolidate multiple systems into a single network platform. And we're modernizing our best-in-class pharmacy operating system which, amongst many advancements, will free our clinicians and colleagues to spend more time interacting with customers.

Number two, we're leveraging technology to create capacity for growth. For example, 75% of 500 million calls will be answered by conversational AI annually, freeing up vast amounts of clinical capacity. We've also deployed AI in creative and channel marketing, which is increasing productivity, decreasing spend, and accelerating speed-to-market. For example, delivering localized in-store messaging 90% faster.

And finally, here're some ways where technology is accelerating our differentiation. New innovation in pharmacy check-in will improve the customer experience, speed up wait times, and help customers get back to their busy lives. We've also added AI assistants to count and verify prescriptions, which is a game changer for our pharmacy colleagues, making their jobs easier, further improving our safety record.

Technology isn't just operational for us. It's a strategic driver that reinforces our competitive edge by ensuring agility, reliability, and relevance in the evolving industry landscape. These investments will drive improved customer experience and efficiency for the business.

Finally, we will continue to enable the broader enterprise. CVS Pharmacy is traditionally the most frequent way for Aetna and Caremark members who choose us as their pharmacy to experience CVS Health. We have a responsibility and opportunity to build trust, deliver outcomes, and simplify life as a way to promote the enterprise brand. We've deployed our best-in-class pharmacy programs, enabled by technology, and leverage our pharmacists operating at the top of their education to help Aetna achieve their stars and customer experience measures. We're working with Caremark to integrate pharmacy systems that enable seamless experiences across our dispensing platforms, and we're continuously adapting our pharmacy management system and digital experience to ensure it's capable of supporting even broader opportunities that Prem and Tilak will talk about later.

In closing, as I said earlier, in a short time, we've changed the trajectory of this business. We have the right strategy and the right people. We focused on the customer, enabled our colleagues, and made intentional decisions to position us for the next horizon. CVS Pharmacy is a critical asset in our portfolio with 9,000 community locations powered by our 200,000 tech-enabled colleagues. With customer experience and engagement at the center, we are uniquely positioned to transform healthcare at scale that is unmatched across the industry.

We're focused on delivering strong, sustainable results with operational, disciplined and industry-leading technology. We will continue to leverage our community presence, our omni-channel optionality, our trusted brand, and leading capabilities to deliver results and differentiate in the market.

So, after a brief break, Prem and Tilak will share more about the vision we have to harness the power of our foundational capabilities. Thank you.

[Break] (01:58:15-02:13:58)

Unverified Participant

Please welcome Executive Vice President and Group President, Prem Shah.

Prem S. Shah

Thanks everyone. And I get the privilege of sharing my thoughts after a break. Hopefully, everyone got a good bio break, and it's exciting to see all of you again here. And I just want to thank you again for making it out and making the trip here. And for the folks on the webcast, thank you for spending the morning with us. It's with immense gratitude that Tilak and I get to join you here today alongside our leadership team.

If you think about all the results we talked about earlier this morning, as you heard from the team, we have further strengthened our foundation in the past year under David's leadership. Across every business, we are leaders or becoming leaders in the industry. The steps we've taken to shore up our foundation were critical to achieve the ambitious aspirations that we have as CVS Health.

With our more than over 300,000 colleagues, we hold ourselves accountable to a higher standard. And we have an obligation with our industry leading assets to transform our healthcare system. We haven't – we have a critical requirement to enhance the access to care, to simplify the navigation of care, and to address the affordability challenges that we're facing across this country. And lastly, to materially improve healthcare outcomes for all the members that we serve.

CVS Health is now well-positioned to seize this singular opportunity to reimagine healthcare. Today, we're going to talk to you about three things. First, why this thing consumer engagement is so critical to improve the quality of care and to address the affordability crisis that we face in this country. Second, why CVS Health is so uniquely positioned to create a high-engagement business and how our investments in consumer engagement platform will enable us to be the best. And lastly, why this leadership position and this unique moment in time presents an opportunity that's tremendous to build a new high-margin, high-growth, differentiated technology offering.

So, first, let's talk about consumer engagement. Why is this so critical in healthcare and why is this so difficult to achieve? Consistent and continuous engagement translates to longer and healthier lives. High consumer engagement that drives behavior change, drives better medication adherence, and greater utilization of preventative treatments. All of these things are a recipe to reduce healthcare costs with fewer hospital admissions and readmissions, and lowering the overall total cost of care.

At its core, this engagement informs real-time support needs and actions of consumers. It allows insurance companies like Aetna, pharmacy benefit managers like Caremark, providers, and other healthcare stakeholders to interact and support with consumers, and support them, not just in the right place, but in the right time with trusted advice and action. Better product offerings, go-to-market strategies that are grounded in personalization and data put the consumer at the center of every decision that we're going to make.

With strong consumer engagement, a lot of companies have stood up here and said that they're going to do that. It still remains elusive in the healthcare industry. Our industry has chased engagement, but no one has yet caught it. Most Americans avoid important screenings in the past year. Over 50% of patients don't take their medications as prescribed and medication adherence is one and still one of the biggest challenges we face in this country. It's not because people haven't tried. If you look across the healthcare industry, whether you're a tech start-up, a large company like ours, or other companies like ours, there's over 250,000 digital healthcare apps, but the problem is the majority of them have minimal to no engagement. And lastly, healthcare costs continue to skyrocket and the outcomes still lag other countries.

CVS Health and healthcare companies that enhance the access to care for patients, whether it's locally or virtually, provide clarity of costs and benefits for the members, make it simply easier to navigate and allow the patient, the consumer to have ownership over their healthcare journey are those that will build engagement. And it's through engagement that we can deliver better health outcomes and ultimately why we believe that CVS Health has the potential to drive incremental shareholder value.

Now, you heard us talk about our businesses and we've been confident about how we're uniquely positioned in this next generation of healthcare engagement. We have tons of rights to win. If you think about our 185 million people that David talked about, that we touched through our retail business and across all of our enterprise. If you think about the way we manage drug benefits, or navigate health insurance, or interact with the pharmacy counter with the millions of people we serve every single day or the way we deliver care to members that need them.

This is one of the things that's unmatched from anyone else in the industry. If you think about our reach, 85% of the US population resides within 10 miles of one of our local community pharmacies. And lastly, healthcare is not delivered through an app, it's not delivered through all this thing, it's delivered through people. We have 30,000 pharmacists in those local community destinations that are looking to serve their members better and enable them through an easier navigating platform.

And then, if you look at the CVS Pharmacy, as Len mentioned earlier, the fact that we're in a position of strength enables us and allows us this privilege. Our NPS results, as Len mentioned, continue to be industry leading. And this is what we can do to really start to have, and engage, and build that trust with patients. All of this sums up to a few things. First, it gives us an unrivaled consumer reach and trust. And it gives us the responsibility and a right to reimagine the way we deliver healthcare and healthcare engagement in this country.

Today, Tilak and I will talk to you about why we're excited about this opportunity in front of us. The value will; one, most importantly bring to all the consumers of healthcare in this country. But two, for the value we bring to CVS Health, and why CVS is uniquely positioned to address and solve this unmet healthcare need.

Before I hand it over to Tilak, I want to say he's been with us for a few years now and it's a tremendous pleasure and privilege to work along someone like Tilak and he's played an instrumental role in transforming us to a healthcare products and services company. Tilak, over to you.

Tilak Mandadi

Good morning everybody. How's it going?

(02:21:16)

Tilak Mandadi

Wow. Okay. It's a tough crowd. I'll try my best, David. I don't think I'll get many laughs here. My name is Tilak. Great to be here and thanks for being here. Prem laid out a vision for a consumer engagement platform that's going to make our businesses best in class. But equally importantly, he laid out a vision of taking that platform and making it a class-leading technology product offering to the industry, Engagement as a Service, if you will. Bringing this vision to fruition requires three things to be true. By the way, I counted about seven, after I said (02:22:11) three things.

My three things are really cool. Three things need to be true. Number one, CVS Health is a healthcare technology company with all the productization competencies necessary. Number two, CVS Health can bring this technology product offering to the market faster and better than anybody else because there are at least three others that are working on it. And number three, CVS Health can commercialize this product offering. Those three things need to be true for that vision to come to fruition. I'm going to spend the next 10 minutes walking you through why we believe those three statements are manifestly true. Let me start with the first one.

A few years ago, we started a very deliberate journey to become a technology, products, and services company. We didn't talk about it externally. Internally, we made a decision that's what we're going to be. So we created a technology, products, and engineering organization. We brought a lot of people from tech products and consumer engagement companies, Disney; MGM; Twitter, before it's X; Amazon; Google; Microsoft, variety of prominent startups that you know.

We brought in a lot of people from outside of healthcare, and then we paired them with people that are experts in healthcare technology. And that combination kind of forced us to look at things differently and do things differently, which is good. We adopted product orientation across the entire enterprise, and we adopted best practices from technology product companies like multi-client products, customer success teams, SLA compliance, engineering competence, hardened engineering competence and culture, we adopted all those practices. So what happened is in essence, we became a technology, products, and services organization that is supporting three massive healthcare businesses, albeit, internal ones, but we were doing it as if they are external clients.

We're ready – oh, as we were doing that, I want to highlight something else. As we were doing that, we got really, really efficient. We gave back, well north of \$1 billion of reduction in our base technology operating expense, so that the operating businesses can reinvest that money into new AI and growth capabilities, a lot of it that the team talked about this morning.

Let's talk about AI, because that's the hot topic now. So right from the beginning, we made sure we are not playing into the hype and despair cycle associated with AI. It's going to change the world today. Oh my gosh, it's not going to do anything. We took a pretty steady approach to AI. I call it the uncool AI approach. We always started with what automation augmentation results do we want to achieve in the organization and the company, and we worked backwards from there on the AI use cases as necessary to deliver those results.

And then my engineers always pick the least expensive LLM models to achieve those results in the right way. By the way, I had to throw this in. LLMs are not going to lead to AGI. If you if you hear it, that's nonsense. So we are keeping very close touch with folks working on reasoning, and cognitive models, and the quantum algorithms, those are the things that are necessary for AGI. No idea why I went there. That has nothing to do with what I'm talking about. But since I have a strong opinion, I'm going to share.

All right. So I'm not going to go into all the results. My operating business president spoke very eloquently. I love it when Lucille says I am the number one specialty pharmacy in the world. I love it. That's how way to go Lucille. We also applied AI to consumer engagement channels. And I have loads of stats. My team gave me like 10 pages. If I start reading them, you will leave the room.

So seeing is believing. At 12:30 PM today, we're going to show you why we think we are the absolutely industry-leading consumer engagement company in healthcare in America today. 12:30 PM to 01:30 PM, we hope you can you can make it to the innovation showcase. So, the bottom line is we have evolved into a technology, products, and services company and ready to take it to the next level. So that brings me to the next question.

Can CVS Health bring this engagement platform to market better and faster than anybody else? As I said, few others are trying to accomplish the same. Look, David mentioned 185 million consumers. 62 million of them are digital. I have 21 million consumers that gave us permission to reach them in real time through push messaging. So we are part of their daily lives. So we talk to them. We talk to them a lot. And they told us what they want.

Consumers want a healthcare experience that's fully integrated and an experience that gives them ownership of their own health journey, and health profile, and health decisions. And they want something that helps them navigate this incredibly complex healthcare ecosystem. They want a health assistant that's always thinking about them constantly and would do all the healthcare homework for them.

So we listened to them. So we built it. So CVS Health consumer engagement platform that Prem referred to is real. It's here. The platform consists of all the consumer-facing channels. So, there is AI chat, there is app, there is Web. There are certain call center optimization technologies in the platform and there are certain physical, in-person experience technologies in the platform as well. But it also has certain underlying systems that support this engagement.

One of them is the industry leading property management system that Len spoke about. All those things put together. That collection is the CVS Health consumer engagement platform. By the end of the year, in a couple of weeks, we will have CVS Health app in the market that is going to largely provide an integrated experience across Caremark, CVS Pharmacy, and Aetna, and MinuteClinic. And in 2026, we'll complete that integration fully. And we'll bring in Oak Street experience also into the CVS Health app. This is what David and others were talking about. If you are in the CVS Health ecosystem, the experience would be absolutely out of this world. It would be the best in the industry from a healthcare perspective.

So, before we go to the third question, let me show you just a few highlights of the consumer facing aspects of the engagement platform I just spoke about. Let's take a look.

[Video Presentation] (02:31:27-02:35:35)

Awesome. I know at least half of you watch that video, the rest of you are working on your models, I could tell that. But that's better than what I thought was going to happen. All right. So, we are part of that work. We are getting incredible response to the platform.

That brings me to the third statement that needs to be true, which is we can actually commercialize this thing. Look, as we started building the CVS Health Engagement platform, we realized two things. The first one, you're all going to shrug your shoulders and go, well, that's obvious. But let me state the obvious with all sincerely I can muster anyway. The number one thing we realized was, our consumers don't want integration

of experience just across CVS entities. They want integration of experience across all healthcare entities that they have to deal with, many of them they don't even like.

The second thing we realized was not as obvious. As we integrated Aetna, Caremark, CVS Pharmacy, and MinuteClinic, the experience of it together in the engagement platform, it dawned on us that, oh, we already did, or doing majority of the work necessary to integrate any PBM, any payer, any provider, and any plan into the platform.

Okay. So given that, why not offer this as a industry service? Why not create an open engagement platform for healthcare, the first one in America? Consumer benefits are obvious. We are very confident they'll love it. But we kind of debated would the industry partners really participate? Why would they integrate? What is in it for them? Well, it turns out, we see a clear path to creating significant additional value for partners that choose to integrate into the platform.

Here are a few primary sources of value that we see. Starting with pharmacies, I think the platform makes pharmacies better in many different ways, in managing scripts, in managing drug adherence, and in dealing with PBMs. And the platform allows the pharmacists to operate at the top of their license, creating incremental value for the pharmacies. We think the platform also enables deployment of much better cost management strategies, care management strategies, behavior change strategies. And using best next action recommendation capability of the platform, we are absolutely convinced it will yield significant reduction in total cost of care and out-of-pocket, reduction in out-of-pocket cost for the consumers.

We also think because of the real time deep insights the platform is going to provide, the partners are integrated into the platform can create highly personalized and very targeted products and services and go-to-market strategies that they have not had access to in the past. These and many other value drivers, we feel, are going to compel a lot of the partners in the industry to participate in the platform. Some of them probably don't want to. But it doesn't matter. We are very confident we'll become a destination of choice and the consumers are going to force them. You need to be part of this platform that's going to come from the consumers.

So, good. So we can get the partners. We can deliver a great deal of value. Why do we want to do this anyway as CVS Health? What is in it for us? Is it a huge distraction from hitting our next three-year plan and continue to grow in our core businesses? A legitimate question to ask. Well, here is why we need to do it.

Number one, well, David said in his opening remarks we want to be the most trusted healthcare provider in the country. Well, you can't be most trusted if you cannot provide the best healthcare experience across all entities that a consumer touches. It's part of the core mission. Number two, as a payer, as a PBM, and as a pharmacy, we are going to get all the value I just spoke about. We'll get that value. Number three, we are at a state of maturity as a technology, products, and services company. This is not a distraction. This is part of the course. We are doing the majority of the work anyway.

Last but not least, I think this is the big one, look, this is our entry into monetizing industry leading technology assets we are being on a mission to create. These are the technology assets that the operating business presidents spoke about, they are industry leading, and we want to monetize them in addition to internal use, and we want to start with the open engagement platform. There are other health services technology assets that we want to monetize as we go forward and that yields high margin, high growth revenue, which is very compelling.

All right. So as you can see, we gave it a great deal of thought on this. And on behalf of the entire leadership team that's present here, I am delighted to announce a formal launch of a new technology product offering

to the industry, Engagement as a Service, built around the open engagement platform we spoke about. We intend to launch it into the market sometime in 2026. We are already in serious conversations with several partners that we think will be part of the founders circle for this offering.

All right. That's my time. That's what I wanted to share. But before I get off the stage, I wanted to share a quick personal note. I joined CVS Health three years ago. I was at Disney and American Express, etcetera, before then. As a consumer, I was completely, and utterly disappointed, and frustrated with healthcare. And so, I decided, I think I'm going to be part of the industry so we could change it, naïve. Actually, one of you actually said, you kind of, laughed at me when I said it, which is true. I was quite naïve. I learned a ton. I think the following. I was fortunate to be in big industries like financial and entertainment, just when we were able to completely transform them using technology.

I have deep conviction that this is healthcare industry's time. AI is that leapfrog technology. Forget about all the hype, the rest of the nonsense. But AI is real and it's the leapfrog technology for healthcare. And I chose when I decided I'm going to go change healthcare naïvely, stupidly, I looked at which company would give me the base to do that. Which company is best equipped to reimagine healthcare? And I chose CVS Health across all the other opportunities that I had.

That's because of the following reason. Changing healthcare would require an incumbent with size, scope, reach, and consumer trust that is willing to act as an insurgent, and disrupt themselves, and completely reimagine from ground up. And that's what I found in CVS Health. All of my naivety aside, I am absolutely confident that CVS Health is going to reimagine healthcare using technology and other things and we'll be the leader in the industry in that re-imagination. I am delighted to be here and thank you for putting up with my commentary on AI. And I want to go back to – and I want to acknowledge the person I'm going to ask you to come on stage now. I am so delighted to partner with him. He is, by far, one of the best commercial minds I have ever seen in 35 years of working in the industry from. Prem.

Prem S. Shah

I don't know how to follow that, but just couple of things, and I think it's evident in the leadership team that David has orchestrated around the room. There are a lot of old school healthcare executives. I probably call myself one of them. David probably calls himself. But the diversity of thought that Tilak and some of the new leaders have brought is one of our strategic and competitive advantages that we have, because it forces us to think differently. It forces us to try to tackle these problems that we all face that we talked about throughout today in a different way.

And so let me wrap this up for you in a few minutes. One, our commitment to improve healthcare for all consumers, not just for those who use CVS Health is very real. The leadership team is committed to pursuing this bold mission. It's the same team that led the AI native tech forward, successful execution you've seen across each of our businesses. We're not standing still. We're adapting. We're changing the way we utilize our everyday impact and trust with consumers to be committed to bringing better experiences to all, whether it's at our own pharmacy, another pharmacy, whether it's a Caremark or another PBM, whether it's Aetna or another health plan.

The fundamental reality is simple. We have to connect and improve healthcare in this country. And if we want to do it, we have to do it through healthcare engagement. That's one of the biggest challenges we all face; engage consumers, have higher quality, and lower costs. But doing this requires us to think and act very differently. As Tilak said, while we're a well-established incumbent in healthcare, we're choosing to become an insurgent, an insurgent that will reimagine healthcare.

We were a healthcare company that had industry-leading technology. We're transforming to a healthcare technology, and products, and services company. And now after Tilak, one, let be really clear for our investors on what this all means. First, the investments necessary that we described for the core elements of the open market platform in 2026 are already included in the financial profile that Brian is about to walk through and outline today. Second, while we see a tremendous amount of value and opportunity to open platform for the partners across the healthcare ecosystem and the opportunities to create new sources of value for CVS Health, the long-term financial projections that Brian will share in a moment does not include any of the plan we just outlined.

Our teams are working rapidly and urgently to execute on this vision, which we view as a clear opportunity for outperformance over the long term. Like other large initiatives we've completed over the last few years, we're going to keep you updated and apprised of the progress we make over the coming quarters and year. I hope you, as investors, and more importantly, you, as utilizers of healthcare in this country are as excited as Tilak and I, and our management team on what this can be, and what we can do to be America's most trusted healthcare company.

This is what we stand for. This is our purpose. This is our North Star. And candidly, this is what every leader in an industry should be doing. They should be disrupting themselves to better serve the needs of their customers.

To wrap this up – these are the best three points. To wrap this up, CVS Health is built to do the extraordinary. I've been here now for over 10 years, we have a privileged, unbelievable leadership team. But more importantly, we have 300,000 colleagues that wake up every single day to improve care and drive improved care in every local community that we serve. Second, for us to earn trust means we're going to deliver and do what we say. We're going to provide simpler experiences with better engagement and ultimately improved health for all of our families. No one and no one else can deliver on that promise like we will.

We are building on our legacy of industry-leading innovation and as we build this new technology product offering, it's all upside for our shareholders. Invest in us because of what we do today, the industry-leading capabilities we have across all our business. But also invest in us because of our ability to change and influence the future. Together, we're going to transform healthcare in America. And in just a moment, it's my privilege to invite one of our newest members to the stage, our Chief Financial Officer, Brian Newman. Thank you.

Unverified Participant

Please welcome Executive Vice President and Chief Financial Officer, Brian Newman.

Brian O. Newman

Thank you, Prem, very much and it's great to be here with you all this morning. I – I've been fortunate in my career. You heard a lot of stories from members of the management team to work across multiple industries, from consumer to industrial, and now in healthcare. Healthcare is personal for me. But I believe right now, we have the right team, the right assets, and most importantly, the right momentum. Why do you invest in a business? You invest in the management team. You invest in the right assets. But you also invest in the momentum.

Steve talked earlier this morning about Mount Etna. Some of the things you see and don't see walking up the corridor, sort of the enthusiasm of the Aetna team members. Tilak just talked about why he joined. So, as I

was walking in this morning in the dark to the building, I was trying to think how would I communicate to the investors this thing about momentum that we have right now. And I relocated to Rhode Island, where our headquarters is. And so I spent a lot of time in the water. And the best analog I thought would be kind of a boat.

When I joined here early this year, I'm not sure all the paddles were in the water, rowing at the same speed, the same direction. But from an investment community perspective, David's given us a true North Star, and that's the most trusted healthcare company in America. And we want to simplify healthcare. And what I've watched and observed over the last several quarters, being part of this leadership team is the paddles are in the water now and they're all rowing and pulling in the same direction. And I'm very, very proud to be part of the team. And I think that's going to carry into 2026, it's going to carry into 2027 and 2028 as we go forward.

So you've heard all morning about the innovation and the things we're doing across the segments from the business presidents to become America's most trusted healthcare company. Everything we talked about should give you strong confidence and conviction like I have in the financial outlook I'm about to walk you through.

So my goal this morning is to cover four topics. First, I want to put a pin in the 2025 guide and lock it down. Second, I want to go through the outlook for 2026. After that, we'll talk about the earnings trajectory over the next few trajectory over the next few years, 2027, 2028. And then, we'll end with an overview of the capital deployment philosophy, how our earnings and strong cash flow positioned us really well to generate meaningful shareholder returns.

So, if I start with wrapping up 2025. Delivering our commitments is a key priority of mine and of the leadership team that you heard from today. It sounds elementary. But we regularly talk about at our staff meetings, weekly meetings, the concept of the Say-Do Ratio, doing what we say we will do. It's critical to building trust and credibility with all of our stakeholders and with all of you here in this room. 2025 was a year of strong progress for CVS Health.

It was a great example of this, Say-Do Ratio and philosophy. It was our commitment to ensuring we establish credible targets. You're well aware of the challenges that emerged across healthcare over the past year. But we're proud of what we delivered. Strong results that meaningfully exceeded our initial guide at the beginning of the year, including four consecutive raises.

Expectations for revenue now are at least \$400 billion, an increase of over \$14 billion from our initial guide, driven by increases across all the business segments. We began the year with expectations for full-year EPS in the range of \$5.75 to \$6. Following strong enterprise performance and really exceptional execution by the teams, we now expect to deliver EPS in the range of \$6.60 to \$6.70. Reflects an increase of a nickel from the range we provided a little over a month ago in the third quarter call.

Most of that nickel, really, all of it is attributable to strong performance in the PCW segment that Len talked to you about. Relative to the initial 2025 guide. As you can see on the screen, it's been an increase of \$0.85 or 15% at the low end. This is an exceptional result during the volatile year we had, and it reflects the strong performance Steve talked about at Aetna, where they're expected to deliver \$2.8 billion in AOI in 2025, a \$2.5 billion increase from 2024. It also includes outperformance in the PCW business that Len talked to you about. The investments in tech, in our colleagues, in the customer experience is helping us grow share amidst a period of market disruption.

Additionally, our strong results and continued focus on working capital and initiatives and efficiencies helped us raise our operating cash flow expectations by over \$1 billion since the beginning of the year. Rolling it all

up, full-year expectations across the top line, across earnings, and across cash flow are all increased meaningfully from the initial guide at the beginning of the year. Our performance is a testament to the strength of our diversified enterprise, and provides us with strong momentum as we head into 2026.

So before I get into the details on 2026, I just want to take a moment to make sure you understand our guidance philosophy. You heard from David when he opened up this morning we're focused on delivering on the financial commitments and our promises to investors. This starts with establishing thoughtful and appropriate targets that are both credible and grounded in the realities of what we know at a particular time. Importantly, we don't stop there.

We regularly seek to identify opportunities for outperformance and strive to execute and deliver on those opportunities. Surrounding all this, the importance of clear and transparent communication. Each year we expect to provide detailed segment level guidance during the fourth quarter earnings call, which reflects our outlook for the following year. The exception to that is if we host an Investor Day at the end of the year as we are today.

In this case, we intend to provide segment level guidance for the following year in addition to a long-term enterprise growth outlook. Our longer-term growth outlook, which is at the enterprise level, will reflect the expected performance of our diversified businesses. This framework is the basis for how we are approaching our outlook today as what you could expect from us going forward.

So, if we think about 2026, I want to reiterate what we view as the appropriate 2025 baseline from an EPS perspective. I mentioned on the third quarter call, the impact of PYD, prior year reserve development and other out of period items should be removed from our baseline before bridging to 2026 as you can see on the slide. As of September, the impact of PYD contributed a positive \$0.65 to results. Additionally, throughout the year we highlighted the impact of several other out of period items like revenue adjustments that together had a \$0.20 headwind.

After adjusting for each of these, you can see the 2025 baseline from an EPS perspective, \$6.20. So if we take a look at the expectations by segment, starting with HCB, our Health Care Benefits business, Steve highlighted that we expect 2026 to be another year of strong progress on path to margin recovery. Total revenue will actually decline 3.5%, primarily due to the exit from the individual exchange businesses, which is roughly an \$8 billion in premium.

We expect the segment to deliver AOI in the range of \$3.6 billion to \$3.9 billion, and at the midpoint, that reflects a \$1.7 billion increase from the midpoint of our 2025 guide after the baseline adjustments. So it reflects the continued margin recovery in Medicare and the exit from the exchanges. As you think about initial expectations for our 2026 MBR, we're holding that at 90.5% for 2026, plus or minus 50 basis points.

We expect to end 2026 with 25.4 million medical members. It reflects a decline of about 1 million members, and that's primarily driven by the exit of the exchange business. We expect individual MA membership to be flat to a modest decline as we exit AEP, and we also expect declines in our fully insured commercial book as we remain disciplined on pricing, however those declines will be more than offset by growth in the self-insured book. Overall, 2025 was a strong first year in a multiyear journey to recover Aetna margins. 2026 will be another strong step forward.

If we turn over to Health Services. We expect AOI to grow 2% over \$7.2 billion, driven by improvement in Health Care Delivery and modest pharmacy services growth. Caremark continues to transition from contracts to drug level pricing to address the rebate guarantee pressures that Ed talked about, which mutes the growth in 2026. We've received a lot of questions lately about the IRA and MFN-related drug list price changes.

The changes were expected and they were also contemplated in our 2026 outlook. Additionally, we expect membership contraction at Aetna to have a modest impact on Caremark pharmacy claims volume. As you heard from Lucille, our industry-leading specialty pharmacy position and favorable specialty market dynamics will continue to be a driver of growth. As Sree shared, we took decisive actions within the Health Care Delivery assets, and we expect to drive improvement in their financial performance beginning next year.

Now, for PCW, what Len talked about in the Pharmacy & Consumer Wellness business, total revenues will be down slightly while AOI is increasing about 1%. We continue to manage reimbursement pressure, expecting a second consecutive year of AOI growth, meaningfully outperforming the historical expectation of the 5% decline, which Len had talked about. We have a strong outlook despite a period of disruption in the industry, and it highlights our position as the best-run national pharmacy in the country and is a testament to the exceptional execution.

If we pull it all together, at the enterprise level, we expect total revenues of at least \$400 billion. Adjusted AOI will be in the range of \$15 billion to \$15.4 billion. Importantly, this reflects growth across each of our business segments in 2026, which I think speaks to the balance and rowing in the right direction. I'd also like to pause for a moment on revenue. While the \$400 billion appears flat year-over-year on the surface, it's important to note that this is impacted by the combination of the exit of the individual exchange businesses in Aetna and also the drug list price changes across our pharmacy business.

Moving on, we also project modestly higher share count as our share repurchase program remains suspended while we focus on reducing leverage. Altogether, you can expect us to deliver a 2026 adjusted EPS in the range of \$7 to \$7.20. At the midpoint, this reflects the 15% growth off the normalized 2025 baseline. Cash flow is expected to be strong. Cash flow from operations we think will be at least \$10 billion.

As we think about earnings progression next year, we expect 2026 EPS cadence to be 55% in the first half of the year and 45%, in line with historical trends. As you think about the subsegments, HCB earnings will continue to be concentrated in 1H due in part to Part D IRA impacts; in PCW and HSS, you'd expect 2H earnings to outweigh 1H, similar to historical patterns.

We have strong momentum as we close 2025 and head into 2026. I see a tremendous amount of earnings opportunity at CVS Health over the next few years. So, we expect to continue the strong execution across the core business and it gives us conviction in delivering the mid-teens EPS CAGR over the next three years.

At Aetna, margin recovery was a strong driver of earnings this year in 2025. We expect that to continue again into 2026. However, we'll still be below the target margins next year. As Steve discussed, we're confident in our ability to drive margin improvement as we return Aetna to best in class. We expect this to be a continual and meaningful driver of EPS growth over the next several years.

Health Services is driving meaningful improvement in HCD and working to maintain a best-in-class PBM. In Health Care Delivery, we're acting with urgency to drive improved performance despite progress. Next year, we will be far from done. And further improvement will continue to be a contributor to EPS growth as we make progress on our path to breakeven, while driving to sustainable profitability in HCD.

In Caremark, we're leading the market to the model of the future with relentless focus on delivering lowest net cost. Ed shared why this transition is important for consumers, why it's important for clients and our business. And as a leader in the industry, we repeatedly adapted our model, while maintaining attractive margins for the value we deliver. That's not going to change with the latest evolution. In CVS Pharmacy, the strong performance and execution we saw in 2025 positions us well to grow again in 2026. And as you heard from Len, we view these drivers of strength as durable, and we have improved our outlook for this business to at least flat going forward.

Our mid-teens EPS CAGR outlook does not reflect share repurchases next year. It assumes repurchases will offset the impact of dilution on a go-forward basis. As earnings recovery continues and cash flow and leverage positions will improve, it's going to provide additional capacity to return capital to shareowners.

I want to remind you that the outlook does not reflect earnings contribution from open platform work that Prem and Tilak talked about. We've contemplated the initial capital technology startup costs, but not any of the upside. Overall, the earnings power of the enterprise remains significant. I remain confident in our ability to deliver mid-teens adjusted EPS CAGR through 2028.

Cash flow has actually always been a strength of the enterprise. And I know how we deploy capital is important to all of you. First, I want to highlight our philosophy. I've been a CFO and a treasurer of public companies during times of volatility, and I understand the importance of having a strong balance sheet. Our first priority is to invest in the business, funding our organic growth. It's critical to ensure our businesses are best-in-class and includes the risk-based capital that the insurance entities and the capital expenditure across the enterprise.

Next, we're committed to paying compelling shareholder dividend. The board of directors, the management team fully recognize the importance of this to our investors. Third, maintaining a strong capital structure and a healthy balance sheet is critical. The capital that remains after fulfilling these priorities will be available for flexible deployment, including share repurchases and bolt-on acquisitions that might support our strategy and create shareholder value.

So how do these priorities translate to the current capital allocation and where do we expect to go? From a short-term perspective, we're focused on deleveraging. We're committed to achieving a leveraged position consistent with a mid-BBB credit rating.

Our approach to investing in the business is unchanged. It remains our top priority. You can expect us to maintain our current dividend per share as we improve our leverage position, and we will refrain from any share repurchase as we focus on balance sheet improvement in 2026.

As you think about achieving our appropriate leverage, we would then expect to shift back to a more balanced capital deployment. This will include increased capacity for flexible deployment, including the likely return of share repo. With that framing, we will remain disciplined in our deployment of capital. Our cash flow generation is a strength, as I mentioned. And over the next three years, we expect to generate \$55 billion to \$60 billion in deployable cash. This reflects a combination of cash from operations and incremental debt capacity, as we achieve our target debt ratings and growth in our earnings, which supports additional debt capacity.

Consistent with the capital allocation priorities I just mentioned, we will invest in organic growth across the business. You can expect capital expenditures to remain around \$3 billion a year. This includes supporting the \$20 billion commitment that we made over the next 10 years to transform healthcare.

This also includes investment in the core capabilities associated with the launch of the open platform you heard from Prem and Tilak. We will also distribute a meaningful portion of the deployable cash to shareholders via the dividend. After these uses, we can then expect to have significant amount of capital for flexible deployment, including returning incremental cash to shareholders via repurchases.

I wanted to close this morning with a few thoughts. I hope you heard from us today that each business is working to become or maintain their position as best in class. We have the opportunity to transform the consumer healthcare experience. And third, we're working diligently to become a partner of choice. All of this will create distinct enterprise value.

We talked about the importance of honoring commitments. You've heard everybody mention it today, doing what we say, establishing a track record of consistent performance. We delivered on what we said we would do in 2025. We intend to do the same going forward.

As you think about progress over the next few years, we have a clear path to creating an incredible amount of shareholder value. Core execution across the businesses will deliver significant earnings growth. And then earnings growth is going to be supported by powerful cash flow generation and balance sheet capacity, creating opportunity to return incremental capital to shareholders.

CVS Health, we have the right assets, we have the right people, and we have the right vision. We're capable of bringing innovative offerings and solutions to the market that you heard about throughout the morning at an unrivaled scale. We're very confident about the future of this enterprise. And I actually hope you share my excitement. We have a great track record ahead.

So, with that, I'll close the morning out. We'll take a short break and set up the stage for Q&A. So grab a coffee and we'll see you back here shortly. Thank you.

[Break] (03:11:18-03:21:50)

Unverified Participant

Please welcome back members of the management team for today's question-and-answer session.

QUESTION AND ANSWER SECTION

Answer – Laurence F. McGrath: Yeah. I'll give the instructions now.

(03:22:03)

Answer – Laurence F. McGrath: Welcome back everybody. Thanks for your attention so far. So this is the Q&A portion. So a little bit of housekeeping. We've got mic runners in the back of the room, so raise your hands, we'll get microphones to you. For the benefit of the folks on the webcast. When you are asking your question, if you could stand up, introduce yourselves and then go ahead and ask the questions and we'll get through as many as we can.

For those of you on the webcast, I know you've been submitting questions. There's an opportunity for you to do that. IR will keep an eye on those questions; and if we have time, we'll get to some questions from TV Land (03:22:36). All right. With that, raise your hands. All right, let's start. Line of mics up. Do you want to start here with Ann?

Analyst:Ann Hynes

Question – Ann Hynes: Great. Thank you. Ann Hynes from Mizuho Securities. I want to focus on retail today because obviously, the shift from a negative 5% decline to at least flat is pretty incredible in two years. Can you tell us how much is one, maybe like a structural market share gain, just given your two biggest competitors are ones gone and ones declining? Two, maybe what is less reimbursement pressure? Because I know obviously, you had to offset, I think, close to a \$1 billion of reimbursement pressure annually over the past decade? And three, maybe just what's driven by cost savings and other things that I did not mention. Thanks.

Answer – J. David Joyner: Yes. Ann, let me let me start. I want to thank you for asking a retail question first. I think it's the first time we've talked about retail in the year that I've been here at the very beginning of the sessions, because it's something I'm incredibly proud of the results that we've delivered. And this wasn't by happenstance. You've heard Len talk about the fact these are investments that we've made over a long period of time, recognizing we need to be a more efficient provider.

We need to leverage the cost of goods position. But we also need to deploy technology to make the jobs of the colleagues better. And that's what hopefully you've heard in the theme around the experience that we've created. And then we've also benefited, obviously, by the broader marketplace weakness so that we're essentially creating strength at a time when the marketplace is maybe a potentially a bit weaker.

So, I'm going to let I'm going to let Len speak a little bit more broadly to where the drivers of our value and how we're actually moving from the negative 5 to flat and were positive.

Answer – Leonard P. Shankman: Yeah. Thanks, David, and thanks so much for the question. I think I want to just start with just saying we have an excellent leadership team, and we have the right leadership team, and the right strategy that really started years ago. Nothing in retail happens necessarily in real time. And we made, as David mentioned, and I talked about earlier on, we made some really purposeful decisions years ago to de-densify our footprint and then take a portion of what we saved and reinvest in it back into the company.

And so, we invested in the technology and we invested in people that freed up a significant amount of capacity to really make our service levels and our customer interactions more robust. And we're seeing a lot of signs right now where customers are really appreciating the services that we're offering and are really appreciating the technology that we have in place to be able to make those experiences much better than where we were.

So to your question around where are we seeing the value that's really kind of driving this change in trajectory? It's across the board. Some of it is due to disruption in the marketplace. Some of it is customers just choosing us. We are focused, as I mentioned, on cost discipline and our cost structure. And I think it's really a combination of these things, no one thing in particular, that's really kind of giving us this momentum and putting us on this improved trajectory.

Answer – Laurence F. McGrath: All right. Justin?

Analyst: Justin Lake

Question – Justin Lake: Thanks. Good morning. Justin Lake with Wolfe. Question on the PBM side, first post Ed's comment on similarly attractive margins going forward to Caremark. Should we assume you still expect Caremark to return to mid-single digit operating earnings growth in 2027 and beyond? And maybe give us some color on the trajectory of rebate guarantees and some of the remediation efforts there as well as anything else you think that's interesting going on in the PBM space given some of your competitor comments out there? Thanks.

Answer – J. David Joyner: Yes. Thanks, Justin. I'm going to have Ed speak to where we are on the true cost of some of the price model issues. But maybe just to frame out the value of the PBM, because I think this is the question of the day, is the PBM model structurally changing based off of some of the things you've heard? And that, I think what you heard from Ed is that the PBM has never been more important, in my opinion, with new drugs coming to market, with the median price of \$350,000 and the opportunity to capture the new biosimilar wave. These are all things that PBMs do. They negotiate down drug prices that we believe are not affordable and/or they look for opportunities to capture savings where there's competition.

So just the fundamental structure of the PBM I think remains intact. And I think what you'll hopefully see and what you heard from Ed is that there's a significant value that we believe that we're bringing different than maybe some others in the market. So I think that being said, we've always been able to participate in the value that we've created. So all of the economics and the margins that we create today, I don't think are out of market. I think we're basically getting paid a fair return for the value that we're creating. So I think the next set of questions then is how are you working yourself out through the near term and what I would call transitory impact? So, Ed, maybe let's talk a little bit about true cost and where we are as it relates to some of the migration and or mitigation work you have on the rebate front.

Answer – Ed DeVaney: Yeah. So you heard me, Justin, talk earlier through the presentation of how we believe it's vital to the business aligning around what our customers want most. And to take it one step deeper on that, it was three years ago, I sat in a room with our client advisory council and that's made up of some of the most sophisticated benefit decision makers in the market. Some of your benefit to some decision makers of your companies were represented, and they told us simply that the old economic model in the PBM industry needs a change.

And they are demanding net cost economics where they can guarantee they have visibility to 12,000 drugs at the net cost level. That's going to allow them to provide greater consultation to their members. It also affords on the opportunity to make informed decisions. So as we thought about that, we've now seen our largest, most sophisticated customers already advance into true cost, but others that are on the same journey.

So what I didn't say on stage is as of 1/1/2026, we have 85% of our PBM customers aligned to acquisition costs. This is a huge change in just over a two-year period. And we see others that are moving into what we call drug level rebates, which is, again, getting out of the legacy PBM model, which is built on market basket pricing.

Answer – Brian O. Newman: And Justin, maybe if I could, we guide at the HSS level, but I think 2027, 2028 as you think about it, it's reasonable to assume we'll get back to more normalized growth with attractive margins.

Answer – Laurence F. McGrath: Lisa?

Analyst: Lisa C. Gill

Question – Lisa C. Gill: Lisa Gill at JPMorgan. Obviously, I want to follow-up here when we think about the PBM. And I really just want to understand a few different things. So, you made this great trajectory over the last couple of years talking about leading on, right? Others are now following when we think about transparency. But when we think about direct to consumer, there's been a lot of push by the pharmaceutical manufacturers around direct to consumer.

How do we think about Caremark playing a role in that, especially as you talked about 40% being high deductible health plans? Do we see a real shift in change in how the model ultimately looks from a PBM perspective? And then just going back to those comments, when you talked about getting back to normalized margin, how do we think about specialty? Obviously, these are big drugs, you talked about a big opportunity in biosimilars, but how do we think about the trajectory in specialty? Anything changing there when we think about it from a pharmacy perspective?

Answer – J. David Joyner: Yeah. So that was a multipart question. So, let me take a step back and just make sure I kind of frame out why we're changing the price model, because I think it will answer your DTC question, then I'll have Lucille talk about the specialty. I came back in 2023. Prem and I actually observed two things.

One is the pricing model as we know it today is not sustainable. It's - you have cross-subsidies and you have all of the inequity in terms of how prices actually deliver to the consumer, it creates tension and friction, and so, we did two things, we launched cost advantage. And I would argue that Prem was more successful in his launch of cost advantage in terms of the conversion rate, but I also felt the PBM needed to lead with the change in rationalization. So two years later we have 85% converted on the cross-subsidy and then we still have work to do in terms of how the rebates flow down to the net costs for the consumer.

So given that we've been at this now for two years. What I would see at least today, everything that I've seen around DTC. DTC works and what I would call a cash market or and what I would call the non-discretionary or the discretionary spend, so it's areas that generally that the health payers don't subsidize. And so, it's worked really well, you see with the online pharmacies, they do really well, and these areas that generally the members are having to go shop elsewhere for coverage.

In the subsidized funded model, I think we'll always have an advantage in a PBM in terms of saying that if somebody else is paying the bill, they're going to be introducing competition to create lower costs. So, everything up until this point, everything you've seen in the DTC category has been a higher price than what we have been able to negotiate as a PBM. So, as long as there is a delta between those two, this is where I believe the value of the PBM comes into play, and now it's really important for us to pass those economics down to the consumer.

Because when the consumer actually sees a higher price in the marketplace than what they're paying in a funded benefit, it creates friction, confusion, frustration. And so, that is ultimately why there's this urgency behind trying to get to a net cost price model for the consumer because this becomes the irrational part of how the pricing ultimately flows through.

So, we embrace DTC, and maybe I'll have two things. One is, Lucille talk about specialty, and we can come back around and talk about how we, as a unique enterprise, especially within retail, are actually participating in leading the DTC effort for those consumers that ultimately need other alternatives. So, Lucille?

Answer – Lucille Accetta: Yes. Thank you, Lisa. I love the question. I would say that, think about specialty, the majority of the therapies that are coming to market are in the biologics space. They require high clinical care, they require specialized logistics, they require refrigeration, and they require a lot of, I would say, clinical interventions. And I think you're not going to typically see these drugs in your local community pharmacy. So, the growth is large. You heard me earlier say \$425 billion in products by 2028, \$100 billion in just biosimilars by 2029. And the average cost of these drugs, they come with a really high price. So, it's part of our job to help manage the spend, obviously, for our Caremark clients.

And then in the open market, we're winning. And we're winning based upon a lot of what we shared about the technology. We are making it simple for prescribers. We're making it easy for patients through our technology. And in the end, they're going to choose us. And pharma is also looking at us because they're looking for partners who can bring their products to market, caring for patients, making it easy for prescribers. So, our job in our pharmacy is to complement the work that is happening at Caremark when it comes to formulary design, and executing on it. So, the growth is immense. And I'm really proud of the work that we do in caring for all these patients and the prescribers as well.

Answer – J. David Joyner: Okay. Go ahead. It was a three-part question, Prem, so...

Answer – Prem S. Shah: Yeah.

Answer – J. David Joyner: ...the third part.

Answer – Prem S. Shah: I'm very passionate about this. So, Lisa, just a couple of things I think that are critically important. First, if you think about DTC in this country, pharmacy benefits are subsidized, right. It's either employer-subsidized, government sponsor-subsidized. Someone is subsidizing these drugs. And so, as Ed mentioned, 10% of the drugs in this country drive 90% of pharmaceutical expenditures.

And so, the reality is there is a DTC opportunity in some markets where there's lifestyle-type drugs, weight loss is one of them, or infertility is another great example, which we partnered with the government on in terms of cash infertility pricing, where benefit coverage is not as readily available and there's something there. On the weight loss side, we're partnering with one of the manufacturers as well. We have a tremendous offering at all of our 9,000 local community settings. So, we are serving the need of the market.

But underlying your question is this one philosophical question I'll leave this group with. Will pharma manufacturers behave in a manner in which they're going to lower prices? Everything that we see, you saw Ed's example, the second you take some of the controls away, they raise prices and maximize the value in their respective areas. And so from our perspective, our job is to lower prices for our clients. That need is more necessary today than it's ever been, and our goal and our focus every single day is to deliver offerings to our customers through Caremark, through Aetna, through our businesses that drive down the cost, create competition, and make drugs more affordable in this country.

And so, from our perspective, this is – what we do every single day, DTC is an output. And by the way, on the generics side, there were companies that would actually compare generic pricing. We've solved all of that through our models, right. Think about what TrueCost does. But the CostVantage model is quite simple, whether it's a cash discount card or one of our payers now, the model is just our industry-leading cost of

goods plus our fixed dispensing fee, and that is the consumer price. And by doing that, you eliminate all of the craziness that existed in the past inside this industry. And we remain committed to creating competition and driving down costs for our customers, for pharmaceuticals.

Answer – Laurence F. McGrath: Elizabeth?

Analyst:Elizabeth Anderson

Question – Elizabeth Anderson: Hi. Good morning, Elizabeth Anderson from Evercore. Maybe just to ask another question on the PBM. As we kind of continue to evolve the CostVantage care model that you've talked about, how has the relationship with your PBM partners on that changed, right? Like how are we seeing the evolution of what they're focused on, maybe last year when it was like brand, brand-new versus this year? And then, any sort of changes as you're rolling it out into your government plans? Thank you.

Answer – J. David Joyner: So, either Prem or Len. Go ahead, Len.

Answer – Leonard P. Shankman: Yeah. Thanks for the question. When you think about what the PBMs are looking for, it's pretty simple. They're looking for improved economics every year on the pharmacy side. They're looking for transparency. They're looking for flexibility. And they're looking for access. That's essentially what they're looking for. And CostVantage delivers on each one of those things. You heard David, Prem, myself mention, we have an industry-leading cost of goods that we pass along to our benefit manager customers at a transparent margin with a dispensing fee. So, there's cost, there's transparency. We launched this two years ago, so we've given them the flexibility to implement it over time.

And then the third thing again, as I mentioned, with us, they're getting access to 9,000 locations that are within 85% of the population in 10 miles. So, I feel like CostVantage is really hitting on the things that are most important for the PBMs.

Answer – J. David Joyner: Yeah.

Answer – Laurence F. McGrath: Steve Baxter?

Analyst:Stephen Baxter

Question – Stephen Baxter: Yeah. Hi. Thanks. I think you spoke to this a bit for the PBM, but specific to the retail pharmacy side of the business, the transition to maximum fair price and potential list price changes in that business. How're you planning for this over the next few years, and what do you anticipate in the financial impacts that will be? Thanks.

Answer – J. David Joyner: Yeah. So, maybe just high level on whether it be MFP, MFN, AM cap that happened before, we've gone through now a year-plus of drug list price changes. So, there's been a – the insulins and the respiratory products. A year ago, you saw big list price reductions. We anticipated, we understand with the manufacturing behaviors and that all is flowing in through the guide.

MFP is, we're not resetting list prices, there's mechanisms in terms of how it actually works. And so, I think we've all contemplated that, and the guide that we've given and is part of how we're managing both the buy/sell side of the house. So as – I would just look more generally about the fact that there's a lot of moving

parts and all the things that I kind of mentioned and all of this stuff we have a fairly good predictability or we'll have pretty good insights in terms of how we expect the manufacturers to be able to either change and/or discount their other products, all of which was been included in both our 2026 and what we expect to see as our longer-term guide.

Answer – Laurence F. McGrath: Mike Cherny?

Analyst:Michael Cherny

Question – Michael Cherny: Mike Cherny from Leerink Partners. Thanks for taking the question. So obviously, PCW, as we know at the beginning, has been the success story. Touched on CostVantage a bit. As you think about the current landscape of the market, especially as you're rolling out other opportunities around being more robust, being omni-channel, what do you foresee as the future state of the retail pharmacy market as your competitors, and the push and pull that you have to continue to essentially establish and grow your already leading market share? Clearly, the challenges from some of your peers have helped, but are you expecting more of that going forward?

Answer – J. David Joyner: Yeah. I think it's a really good question. And I'll maybe have Prem and/or Len follow on, but I see – we've talked about this being the front door to our enterprise, and we mean that. The consumer brand – the CVS Health brand is realm and we've seen this now in a couple of different states where we've had some pressure.

And so, our job now is to make sure that we create the best possible experience by investing in the colleagues because if the colleagues aren't engaged, it's going to be hard for us to engage the members and/or the patients. So, what Tilak was actually sharing with this platform it's going to be virtually impossible to do unless you have this really strong consumer brand and consumer reach. So, we see this as, again, the gateway or the entry point into our business.

And where I see the next chapter of this going, which I think is really what is the future of retail pharmacy, and I think if you've got to be able to have omnichannel experience, meeting the consumer where they are. And you have to make sure now we're having our clinicians which 30,000-plus pharmacists that work for us today, we want them practicing at the top of their license. So, how do we take the administration, how do we take the work that's not high productive work, so that you free them up to provide what we all know and recognize there's a problem in this country. There is a primary care access problem and we think the pharmacists will play a really important role.

As part of what the story that Steve and Katerina told with Aetna, the Stars performance, the improving it around adherence, the gaps in care. These are all things that have been established because we've enabled our pharmacists and our pharmacies to play an essential role in improving the overall clinical outcomes.

So, I think your question is what's happening around the marketplace. I can tell you what we're creating and what I think is going to be differentiator going forward is because we're going to leveraging technology to engage the member, we're hoping to invest in our clinicians to practice at the top of their license and there's a lot of work being done in terms of what the role of the pharmacist can do going forward. So, we're certainly immersed and inserted into that process and then ultimately it will become part of how we measure outcomes and engagement with the members. So, did I missed anything, Prem or?

Answer – Prem S. Shah: Yeah. I would just say two things, right? We view our position as a leader to elevate the entire industry, right? As a pharmacist myself, all the tools that were bringing out some things you heard

from Tilak and myself, we want to elevate the industry, we believe that there's a tremendous opportunity to meet an unmet need with 30,000 pharmacists that we employ, but also many others in terms of what we can do.

And so, whether it'd be incremental services that pharmacists can provide in a much seamless, easier fashion that we can deliver to PBMs and to health plans, these are the types of things that we see we can enable, not just for CVS, but the entire industry to really step this up. At the end of the day, we have 9,000 locations, there's not enough pharmacies in this country. We need to have a viable pharmacy marketplace to be successful in delivering care and the access to care to meet our mission of serving every community.

Answer – Laurence F. McGrath: Lance?

Analyst:Lance Wilkes

Question – Lance Wilkes: Hi. Lance Wilkes, Bernstein. So, I love the PBM and would love to talk about it. I actually want to ask about Aetna. Could you talk a little bit about the target margins for the various components of Medicare Advantage group, individual, obviously over in the duals side? And how much of the progress in 2026 is concentrated in, is it evenly spread across those areas or is it concentrated more in individual or whatnot? And then if you could also talk a little bit about in your self-insured employer business, it sounds like you've got nice wins going into 2026. Let's talk about the profitability of that business and maybe what some of the key drivers of the wins for 2026 were. Thanks.

Answer – Laurence F. McGrath: All right. Steve, you got a question. (03:45:02). You got a question.

Answer – Steven H. Nelson: Sure. I got a question. So excited. Hey, thanks, Lance. So, I'll start with Medicare Advantage. Yeah. The return to target margin has to be a balanced approach. It's part of creating a sustainable, durable business going into the future. So, but the bulk of the progress that you see just by nature of the size of it, is in the individual for 2026. And – but – so, good progress there. But we talked about the group, I mean, being an opportunity. And so, in 2026, just remind you 50% of our book was up for renewal. Really great traction on those conversations in renewal. So again, we're going to make meaningful progress for the group and maybe business as well.

So, I think they're both tracking and kind of in line with our expectations and both making good progress. Our dual population and all the special needs plans, we've been very, I'd say deliberate about how we created our benefits and laid that out. So, we made sure we had an appropriate mix in there. And that's going to – and that's actually going well and will also contribute to our return to target margin. So, they're all kind of working in line with our expectations and making great progress.

The self-insured, that is we have competitive margins there and we're going to stay disciplined in our pricing to assure competitive margins going forward. The growth is I would attribute to a variety of things. And having been around, I've sort of seen how this has played out and we have and when I say, like the best team in the industry. I mean, I'm talking not just like the senior people, I mean, across Aetna. It's really impressive. And so, the group that's out talking to these very sophisticated purchasers, including our Meritain TPA business, so we have this sort of multi lever or kind of multi pass to create value for these, again, very sophisticated purchasers of healthcare.

And so, we got a great team. We have really competitive products, leading technology capabilities that you've talked about in that. And we're getting feedback from, I mean, the toughest of customers saying, hey, you guys have come a long ways. We see you leading now. And that's from them. So, and then when we combine

the pharmacy and the medical benefits, again the competitive advantage just gets stronger. So, I think those are some of the reasons.

And then I hear one thing very consistently from some of these sort of recent wins we've had. The state of North Carolina, the Advocate Health System. These are very large, sophisticated and demanding, I'd say customers. And they say, look, you guys show up as a partner. You show up as a – and it's what I was saying before, this mindset shift to solution orientation. That's how we're showing up and excited to report that and love to hear that, you know from when I seek feedback, honestly what we can do better so. But look, it's a – I call the environment we're in choppy waters. It's a – the trends are high. All the expectations are higher. And so, you got to bring your like A game to this, every day, you know? And so, that's how we're thinking about it.

Answer – Laurence F. McGrath: All right. I'll bounce around the room. So, Andrew Mok?

Analyst: Andrew Mok

Question – Andrew Mok: Hi. Andrew Mok from Barclays. There's been a number of changes to value-based care since you acquired Oak Street. Prem, I think you also said you're willing to walk away from contracts if necessary. So given that, what's the outlook for at-risk patients in 2026? And where do you see the long-term margins of that business in opposed to v28 world?

Answer – J. David Joyner: Yeah. So, I think Sree mentioned some of this in the beginning. I think it's important just because of the – some of the headlines in this business and what Sree described as pressures in value-based care. We actually see the challenges in fee-for-service business and what I believe is not a sustainable, durable pricing model. So, we believe we need to make the migration to value-based care.

We're committed to value-based care, we've made an intentional decision to obviously slow the clinic growth and focusing on getting capacity within the clinics and then leveraging and actually getting our technology where it needs to be. So, I think as I – it's so that it's clear from our messaging, we are committed to value-based care. We believe we're making the right investments and the right leadership changes in order to create that growth rate. And then maybe Sree, you mentioned earlier some of the growth rates that you said in your earlier presentation maybe just reinforce some of that.

Answer – Sreekanth Chaguturu: Yeah. Andrew, thank you so much for your question. And I just want to reiterate what David has just said, that fee-for-service has been a failed experiment in controlling costs and improving quality. But this is a trough period for value-based care. And as I mentioned in my presentation, we're taking a number of actions to improve the outlook and performance of Oak Street Health and that's in improving the revenue and growth through v28, through recontracting and growing patients per panel.

We're reinvesting into the medical cost management model and improving our operations, investments in leadership and technology. So, to answer specifically your question, long-term, even though we see this as a trough payer, we're incredibly excited about the long-term trajectory of this business with a single mid- to high-digit target margin for the business.

Answer – Prem S. Shah: Just to be really clear, we're going to be disciplined in every contract we have there as well. So, the negotiations are there as well just to answer your question, Andrew, like we said in the last quarter.

Answer – Laurence F. McGrath: Yeah. All right, Charles?

Analyst: Charles Rhyee

Question – Charles Rhyee: Yeah. Thank you. Charles Rhyee with TD Cowen. Maybe I'll just say upfront this will be two-part question. First, on CostVantage and we think about the efforts you made in cross-subsidization, right to eliminate that right. And so, you talk about your acquisition cost. When we look back into the 2010, when we had these big waves of small molecule generic drugs, cross subsidizing was actually a benefit for you guys.

Where we're starting to enter into another period, biosimilars aside, another big wave of small molecule generic introductions. So, we think of like Eliquis and Jardiance, does CostVantage still provide you a benefit for generics as these big drugs come to the market? So, that's the first question.

The second actually is to pivot back to PBMs. And, David, appreciate what you're saying here. Maybe broaden it out, when we think about what are you going to a lowest Net Cost model and we think about the Senate Finance Committee bill that was just introduced maybe gets attached to a bill at the end of the year. Can you talk about how that the provisions in that aligns with what you're already doing in terms of TrueCost and other efforts there? Thanks.

Answer – J. David Joyner: Yeah. Okay. So, Prem, you want to take the CostVantage price models and I'll talk about the PBM?

Answer – Prem S. Shah: Yeah. I'll be really quick with that and then I'll hand it back to David, you are in (03:52:41). So, on the CostVantage side, that's exactly what payers get in the benefit of CostVantage is that when Jardiance or Eliquis launches, we're still negotiating and fighting like heck to bring down these costs with generic manufacturers. We have a partnership with a large wholesaler where we do that. As we lower those prices in real time, our payer partners benefit from that.

So, what we've done is, yes, the fluctuations of the ups and the downs of a generic tailwind, we've eliminated that. We're providing a predictable service at a fixed margin for every single patient and script we serve, enacting much more like a retailer and making it much easier to explain this business to folks like you, where before we had to say, oh, there's \$6 billion of product coming off patent and this creates us a little bit of a tailwind and a headwind. All of that now is effectively removed, and we're giving you guys much more transparency and benefit as those things come to reality in the marketplace.

Answer – J. David Joyner: Yeah. And then, maybe just reinforcing the current conversation with whether it be the administration or some of the legislation you see coming through is all in line with where we're going on TrueCost. So, if – in my conversations, the frustration is the fact that Net Cost is not being passed down to the consumer and where does the money go? And that's the – and who's to blame for the high cost of drugs?

TrueCost answers all of that. So, it's an opportunity for us to have a very different conversation about what we've been leading for the last two years, and ultimately, where we see the marketplace going, and how do you construct and how do you lean in to the things that will actually help accelerate the adoption rate.

So, I would see everything that's coming through. One is, it's saving money. Is it saving the government money? Is it saving the clients' or the consumer's money? And the most things that I'm trying to avoid doing is exactly how Ed described in the HIV PrEP category, because it's an area where I don't think the government probably understood the unintended consequence of that change. When you add drugs at parity and you lose the ability to create competition, the manufacturer behavior is to increase price.

So, that is the fundamental tenet of a PBM is to deploy the tools to create competition to lower costs for the clients. And now, with TrueCost, lower costs ultimately for the consumer out-of-pocket as well. So, I think the framing of all this is perfect in terms of how we have a very proactive conversation with the way the government wants to move as well.

Answer – Laurence F. McGrath: Kevin Caliendo?

Analyst:Kevin Caliendo

Question – Kevin Caliendo: Thanks. It's Kevin Caliendo with UBS. I really want to try to understand the growth algorithm of the PBM and I hate to keep harping on this, but there's a lot of questions here, right? And how much money do you make currently through drug spread GPO, how is that going to migrate going forward?

And how do we think about if you're taking costs out and are you – is the growth algorithm going to be predicated on drug manufacturers like raising price aggressively again, if we get down to a TrueCost? In essence, are we talking about the growth being only on scripts? Or are we talking about the growth rate that's more predicated on the fact that you are anticipating, like you said earlier, manufacturers are going to be aggressive again in raising price and that's where you're going to come in. Because at this point, like I have no idea how fast Caremark is actually going to grow once we get past this little blip that we're in. And I think we're all struggling with that.

Answer – J. David Joyner: Yeah. Look, all I can say and maybe Brian can kind of come in over the top on our guide here. We have confidence in the PBM. The structure and the fundamentals of the PBM stays the same. Lucille has said now two, if not three times the strength and the tailwinds of the – being the number one specialty pharmacy in the business, new products are coming to market. There's biosimilar opportunities to capture value. And as long as we grow, share and continue to preserve our share, then we expect to continue to benefit and participate in the economics of this industry.

The PBM and what you're hearing is the near-term challenges as it relates to rebate guarantees. And it's an all result of the basket mix that we didn't get right for 2026. That is the work the teams are actually trying to right-size. And as we look forward then it's going to get back to now the conventional market basket pricing converted into a Net Cost model, we would expect to have the same margin profile. It's just basically structured differently.

Answer – Brian O. Newman: Yeah, the near-term challenges, I think we've quantified about \$0.5 billion, quarter – or half of that in Q4 and then the balance in 2026. That's embedded in the guide for 2026. And then the return to more normalized growth and attractive margins contemplates is getting back, as David just said, to consistent with historic margins. But, Prem, you want to give any?

Answer – Prem S. Shah: I think the last thing I'll just leave, this is not the first time the PBM -industry has been under pressure. I mean, you guys have been around and followed the industry. It's, one, extremely competitive, right? And the market is generally very disciplined.

So, two tenets you have to remember is we wake up every single day trying to save our clients' money. It's not as if drug price in this country, the trends are negative. They're not. Traditional drugs are rising, specialty

drug trends are rising. And so the need and the utilization of a PBM is even more important today than it's ever been.

Whether the partner is the government, whether the partner is a employer, whether the partner is a coalition, we're serving the needs of the customers in a very disciplined market, and we're creating a value proposition with the tools that we have. So, from my perspective, I've been around for 20 years, there's never been a bigger need for a PBM than today. I know there will always be some of these transient things that happen in the industry, but we're not the only industry that has some of these things.

And at the end of the day, if you look at the value proposition, what we deliver, it's tremendous to our customers, to our clients, and to all the people that we serve. So, from my perspective, I think some of this stuff is in the short-term nature, people are somewhat thinking about this, but longer term, this is going to be a necessary tool in the US healthcare system. And it's something that we're critically focused on to deliver the value to our customers.

Answer – Laurence F. McGrath: All right. I think we've got time for one more. Okay. Why don't we go to Scott Fidel?

Analyst: Scott Fidel

Question – Scott Fidel: Thanks. Scott Fidel, Goldman Sachs. Was hoping, just as we think about the Aetna outlook and maybe get some insights just into the medical cost trend views that are underpinning that and, Steve, maybe sort of thinking about the commercial market and then Medicare Advantage as well. So give us maybe the thinking around the baseline cost trends for 2025 and then sort of what you're thinking around sort of direction of cost trends for 2026.

And it sounds like the drivers of those remain pretty consistent, right, in terms of specialty pharmacy, behavioral complex conditions, as you guys called out. But just anything else, any other nuance around drivers of trend that you want to highlight? Thanks.

Answer – Steven H. Nelson: Sure. So, you have it right. It's the same drivers. They're all just more intense. And so what we have to do is evolve with that, because we find those trends in a high cost environment they're in, unacceptable, just like our clients do and our individual purchasers of healthcare, whether they're members, or government, or big clients. And so, we have a taken a variety of approaches. So, it starts with understanding trend and the drivers of this. As I talked about that, it is a fundamental capability. You've got to do that before you can do anything about it.

And then, this approach that we've taken to total cost of care, which I'd love Katerina to comment on a little bit. As I talk about fundamental capabilities, the fundamental capability to understand the drivers of trend and then actually go after them in a unique and differentiated way is part of the core capabilities that we've been working on over the past year or so. So, Medicare Advantage, for example, our partnership with value-based care. I'm not going to steal your thunder, Katerina, but you should talk more about that and including our own incredible Oak Street best-in-class.

And that as we think about the commercial products, the big driver of trend is behavioral health. And so, creating new solutions and new products to really get after that in an individualized and a better navigation advocacy way that we've talked about. And then, I'm just going to tee up one more thing, and that is the partnership with providers, it has to change.

There is way too much finger pointing going on in healthcare right now in this kind of environment. So, the opportunity to partner different and have a different conversation has – actually, it's not just going to change the experience and reduce friction, but it actually is going to change total cost of care. And so, we think we're on to something in these. But I'd love Katerina to add some color.

Answer – Katerina Guerraz: Steve, anything else you want to me to add, I'll hit on all of those...

Answer – Steven H. Nelson: No. That's enough for now.

Answer – Katerina Guerraz: So, first of all, thanks for the question. On the next generation care models, I know we just highlighted autism today. Steve just hit it. This can't just be about that one condition. So, every cost of care model we have does factor in on the pharmacy piece, medical piece and obviously behavioral health and network, by the way, how we partner with providers.

So, even specifically with behavioral health, Steve mentioned this, we didn't have time to talk about this, but among some of the new products that we've launched, it is around mental wellbeing to figure out how do we address. It's not just access to care, but it's also the standardization of care because we know in mental health there isn't a lot of consistency there.

I would say, the second thing around provider partnerships. We mentioned how our partner on prior authorization, we're also doing it on cost of care. So, to Steve's point, specific data that tells us for specific health systems, specific types of specialty providers, that's where we're partnering together on very unique models to try and do different types of interventions and engagement.

And the last piece on value based-care, Oak Tree is one of our big value-based care partners. They've done a great job with our Medicare Advantage membership in terms of improving outcomes and quality. Much more broadly, it's important to our business and our strategy. We are going through a rationalization of partners and an optimization to make sure we're assigning the right level of risk to the right partner who is going to help us achieve sustainable performance. So, that's one of the other things that's part of our strategy.

All right, Katrina, thank you. And I want to thank all of you for making the trip to Hartford. Also, I want to thank those on the webcast that have been on for quite a while now. I want to thank the leadership team. Hopefully, you've got a chance to see both the strength, the experience and the commitment that they have to this business and I also want to thank the 300,000 colleagues that are helping us deliver and execute against our ambition and purpose of being the trusted healthcare company in this country.

And actually, simplifying healthcare because that's how it's going to actually occur, is that if I get the rest of the organization all aligned and committed to pushing and pulling in the same direction. So, we're serious about the commitments that we're making. You've seen this in terms of how we provided the guide going forward, and I have complete confidence in our ability to execute against the promises that we've made today.

And so with that, thank you for being here again. And hopefully, you'll have a happy and healthy holiday season. So, thanks again.