Driving More Affordable, Accessible and Effective Care

Larry Merlo
President & Chief Executive Officer

CVS Health

Forward-looking Statements; Non-GAAP Measures

During today's presentation, we will make forward-looking statements within the meaning of the federal securities laws. By their nature, all forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons as described in our SEC filings, including the risk factors section and cautionary statement disclosure in those filings.

During this presentation, we will also use some non-GAAP financial measures when talking about our company's performance, including free cash flow, cash available to enhance shareholder value and Adjusted EPS. In accordance with SEC regulations, you can find the definitions of these non-GAAP items, as well as reconciliations to comparable GAAP measures, on the investor relations portion of our website.

Key Accomplishments in 2016

Strong financial performance

Adjusted EPS growth of ~12%;
Free Cash Flow of $6.9B

Successful PBM selling season

$7.8B gross new business for 2017;
client retention of ~97%

Effectively managed trend

Achieved client drug trend of only 3.3% through September

Superior Specialty growth

Dispensed revenue growth of ~19%, continuing to outpace market

Enhanced Long-Term Care

Introduced pilot programs to improve patient care

Completed Target integration

Integrated Target pharmacies and clinics

Advanced front store strategies

Delivered profitable sales through enhanced offerings, personalization and digital capabilities

Plan to reaccelerate growth

Includes new partnerships with payors, new PBM products, cost savings initiative and capital deployment

Refer to endnotes for additional information.

Driving More Affordable, Accessible and Effective Care

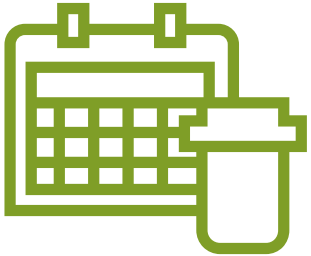
Affordable



Accessible



Effective



Driving More Affordable, Accessible and Effective Care

Affordable

Cost management solutions to drive real savings in the health care economy

Accessible

Unmatched breadth of assets to connect with patients fully across the care continuum

Effective

Analytics capabilities and clinical programs to help drive adherence and health outcomes

Today's Key Takeaways

Driving More Affordable, Accessible and Effective Care

Driving Outcomes and Savings	In an era of rising costs, we are the optimal partner to deliver savings and help improve outcomes for health care stakeholders
Providing the Front Door and the Last Mile	Pharmacy has the highest frequency of interaction and our unmatched patient touch points across the enterprise help shape behavior
Best Partner for PBMs and Health Plans	We can partner with all PBMs and health plans, leveraging our enterprise assets and capabilities to meet their individual needs
Integrated Pharmacy Care	Our exclusive programs are seamlessly integrated through our Health Engagement Engine, providing better member experience and results
Positioned for L-T Enterprise Growth	Maximize shareholder value with an enterprise mindset; generate strong cash flow and employ a disciplined approach to capital allocation

Today's Agenda

Topic	Speaker
Maximizing Shareholder Value With an Enterprise Mindset	Dave Denton
Delivering Value for All Health Care Stakeholders	Larry Merlo
Meeting the Health Care Challenges of Tomorrow	Jon Roberts
Leading the Evolution of the Specialty Model	Alan Lotvin
Capitalizing on the *Retailization* of Health Care	Helena Foulkes

Endnotes

Slide 3

1. Refer to non-GAAP tab in Analyst Day presentation book or the Investor Relations portion of the CVS Health website for Adjusted EPS reconciliation for the year ending December 31, 2016 and the year ended December 31, 2015.
2. Refer to non-GAAP tab in Analyst Day presentation book or the Investor Relations portion of the CVS Health website for Free Cash Flow reconciliation for the year ending December 31, 2016 and the year ended December 31, 2015.
3. Adjusted EPS growth and Free Cash Flow are based on midpoints of 2016 guidance.
4. Gross new business revenue excludes Medicare Part D SilverScript individual products.
5. Client retention rate is defined as: 1 less (projected 2017 lost revenues from any known terminations plus annualization of any mid-year 2016 terminations, divided by estimated 2017 PBM revenues) expressed as a percentage. Both terminations and PBM revenues exclude Medicare Part D SilverScript individual products.
6. Client drug trend is the measure of growth in prescription spending per member per month. Trend calculations take into account the effects of drug price, drug utilization and the mix of branded versus generic drugs. Trend figures cited are for commercial cohort (health plans and employers). Trend is 2016 YTD through September and is reported net of rebates.
7. Specialty growth defined as 2016 forecasted dispensed revenue growth for specialty products vs. 2015.

Maximizing Shareholder Value With an Enterprise Mindset

Dave Denton
Executive Vice President &
Chief Financial Officer

CVS Health



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Strong Record of Execution

Marketplace Misconceptions

2017 Guidance Review

Solid Long-Term Outlook

Continuing Focus on Maximizing Shareholder Value

Productive Long-Term Growth

Generating Significant Free Cash Flow

Optimizing Capital Allocation



Enhanced Shareholder Value

Key Financial Accomplishments of 2016

Adjusted Earnings Per Share	• Delivering strong Adjusted EPS growth of **~12%**
Prescription and Claim Growth	• Enterprise script and claim growth of **~19%**, including the additions of Omnicare and Target pharmacies
Refinanced Debt	• Successfully refinanced debt to take advantage of favorable interest rates
Free Cash Flow	• Generating significant free cash flow of **nearly $7 billion**
Shareholder Value	• Returning **~$6 billion** to shareholders through dividends and share repurchases

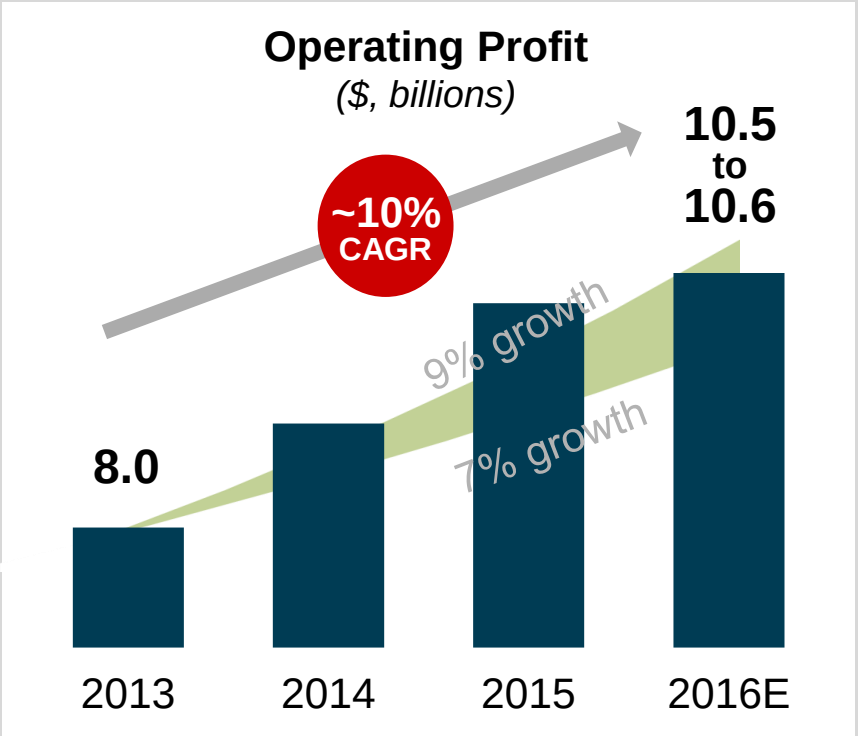
Refer to endnotes for additional information.

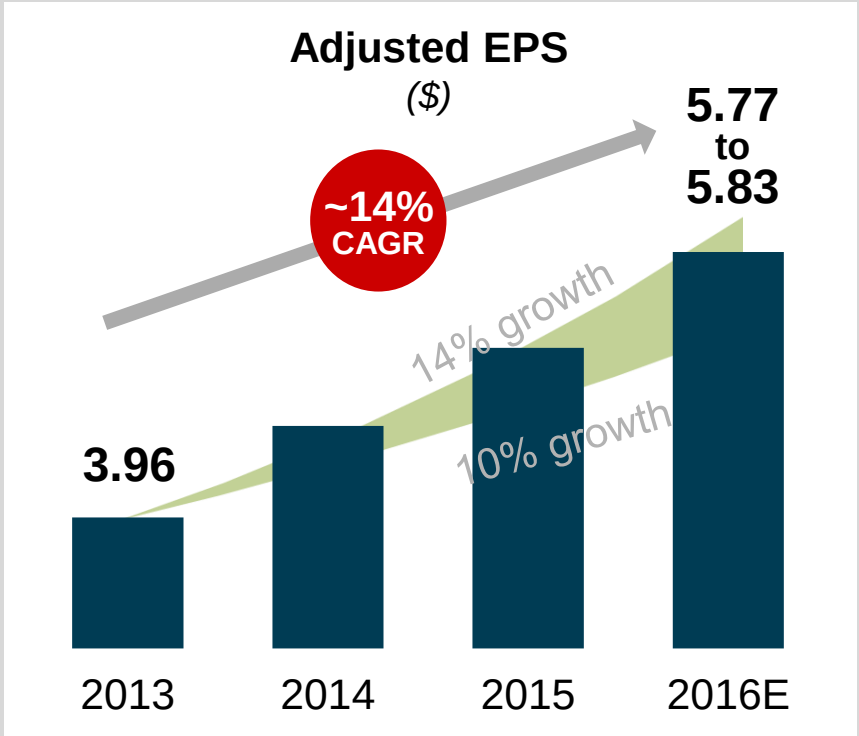
Solid Performance Expected in 2016

	Full-Year 2016
Net Revenue Growth	**16.0% to 16.5%**
Adjusted EPS *Year-Over-Year Growth*	**$5.77 to $5.83** ***11.75% to 13.0%***
Free Cash Flow *Year-Over-Year Growth*	**$6.8 to $7.0 billion** ***Up 5% to 8%***
GAAP Diluted EPS	**$4.82 to $4.88**

Refer to endnotes for additional information.

Meeting Enterprise Growth Targets Through 2016 …



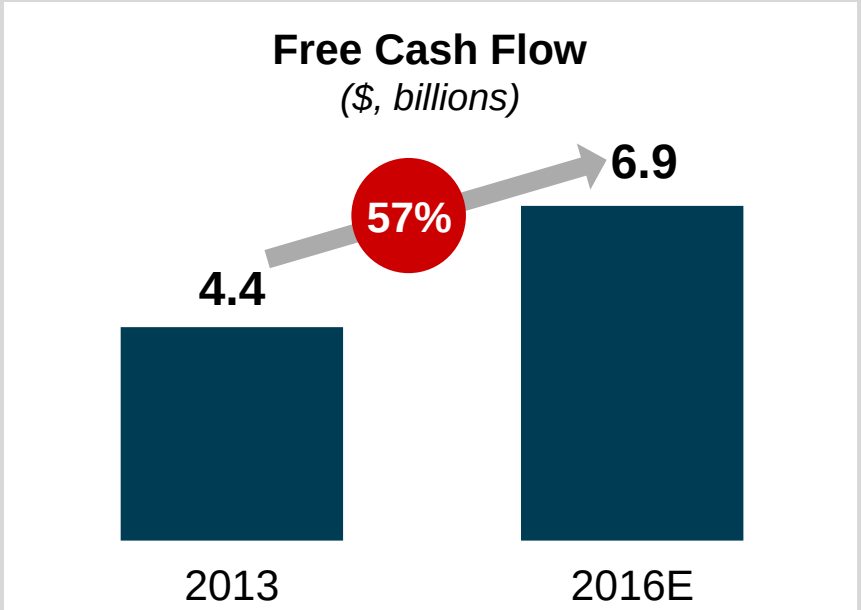


Refer to endnotes for additional information.

… And Generating Significant Free Cash Flow

Key drivers:

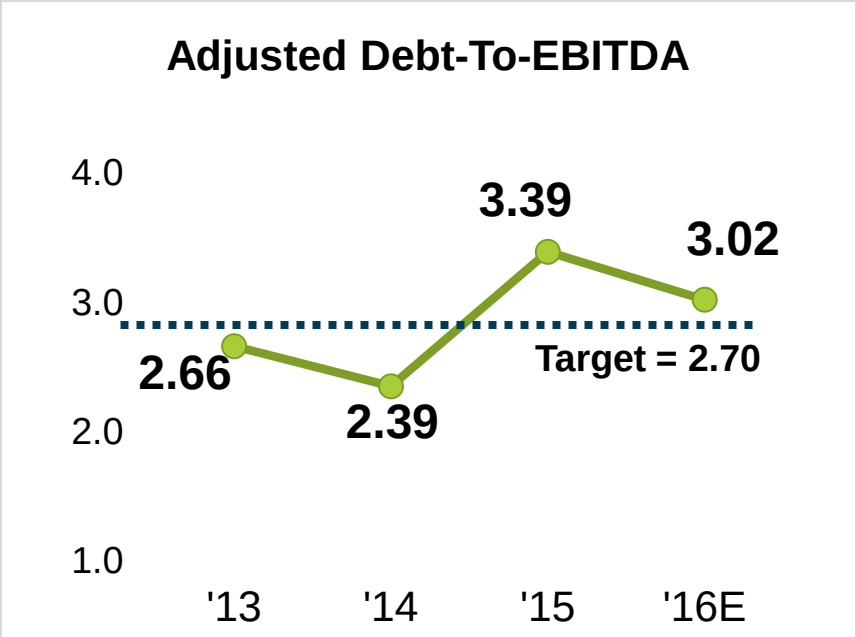
- Enterprise prescription dispensing share gains
- Specialty pharmacy
- Improved purchasing
- Working capital management



Free cash flow has increased by $2.5 billion over the last three years

Refer to endnotes for additional information.

Committed to Maintaining a Healthy Balance Sheet

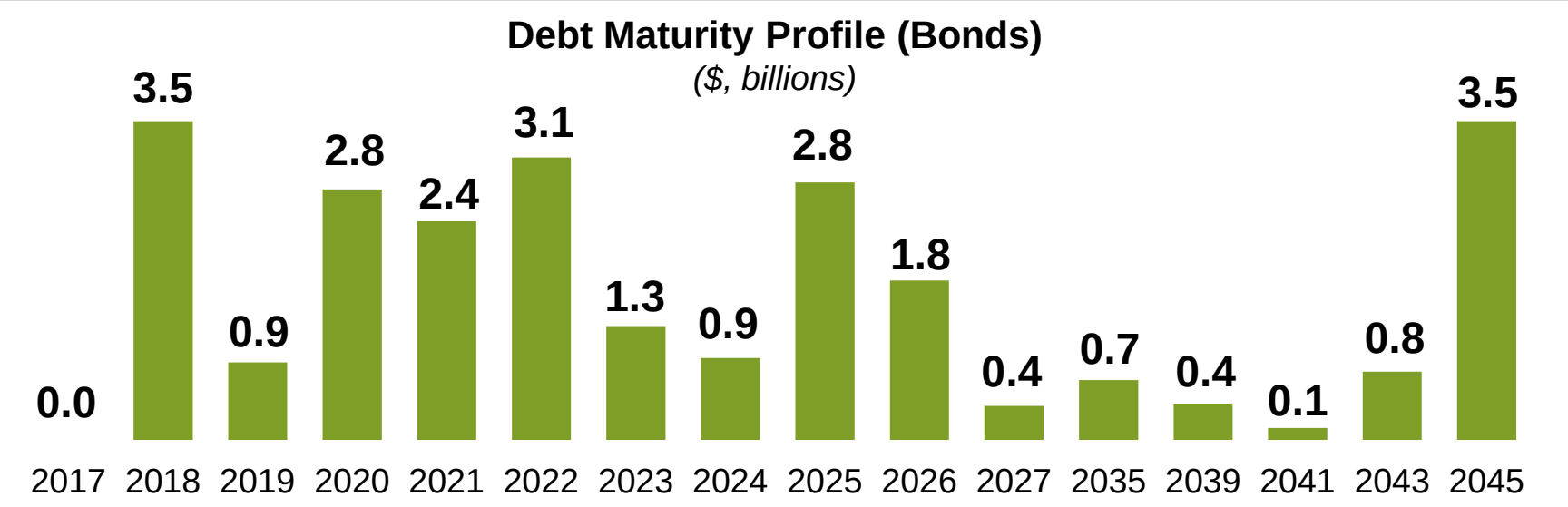


- Committed to returning to 2.7x targeted leverage ratio
  - Driven mostly by EBITDA growth and debt repayments
  - Modified long-term debt structure in 2014 and 2016 to take advantage of favorable interest rates

Focused on maintaining BBB+ credit rating

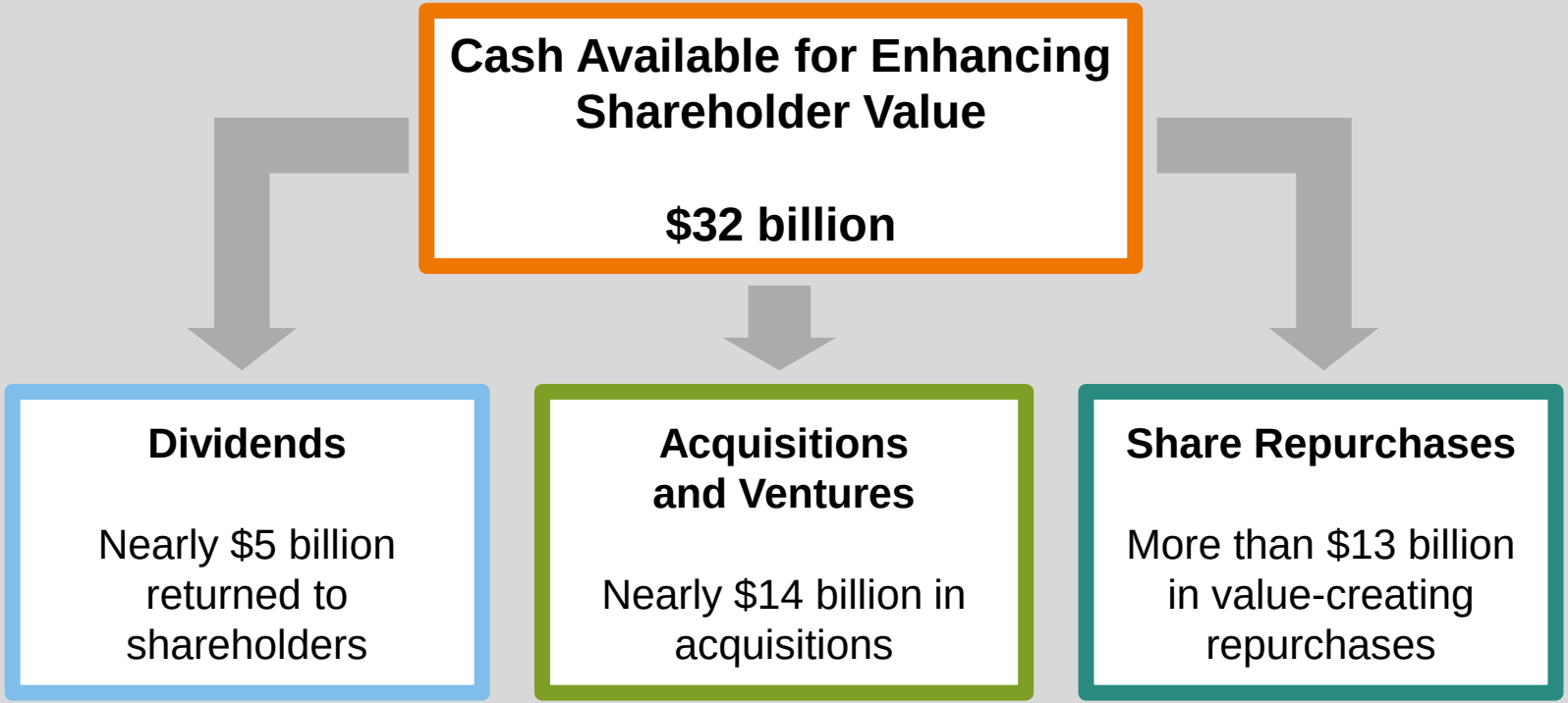
Refer to endnotes for additional information.

Well-Laddered Debt Maturities Remain Core to Strong Balance Sheet



Debt refinancing reduced interest expenses by ~$50 million

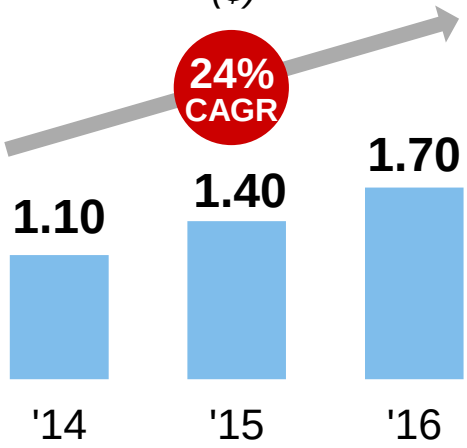
Efficient Cash Deployment 2014 Through 2016 Focused on Three Pillars



Solid History of Enhancing Returns Using All Three Pillars for Efficient Cash Deployment

Annual Dividend Per Share

($)

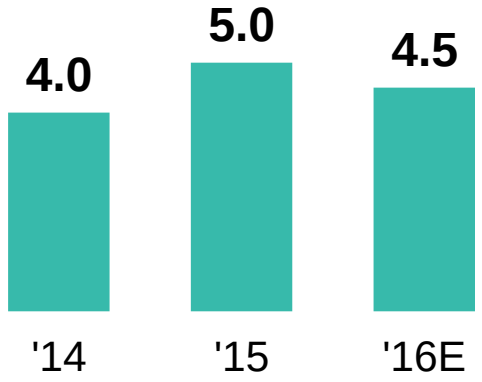


Acquisitions and Ventures

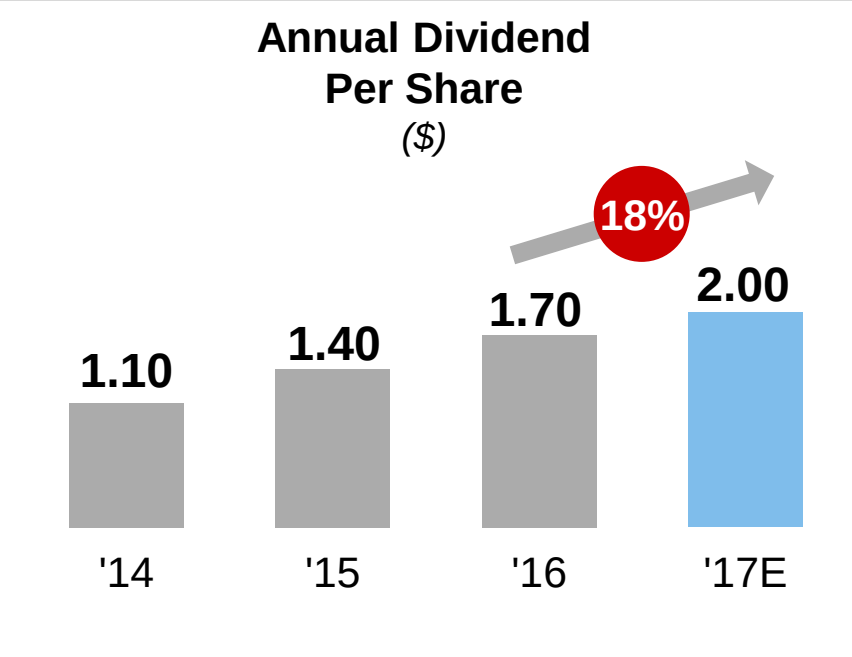
Jan '14 Coram	Jul '14 Red Oak Sourcing
Sep '14 Navarro	Aug '15 Omnicare
Dec '15 Target	

Share Repurchases

($, billions)



2017 Will See a Dividend Increase of 18% and Further Share Repurchases

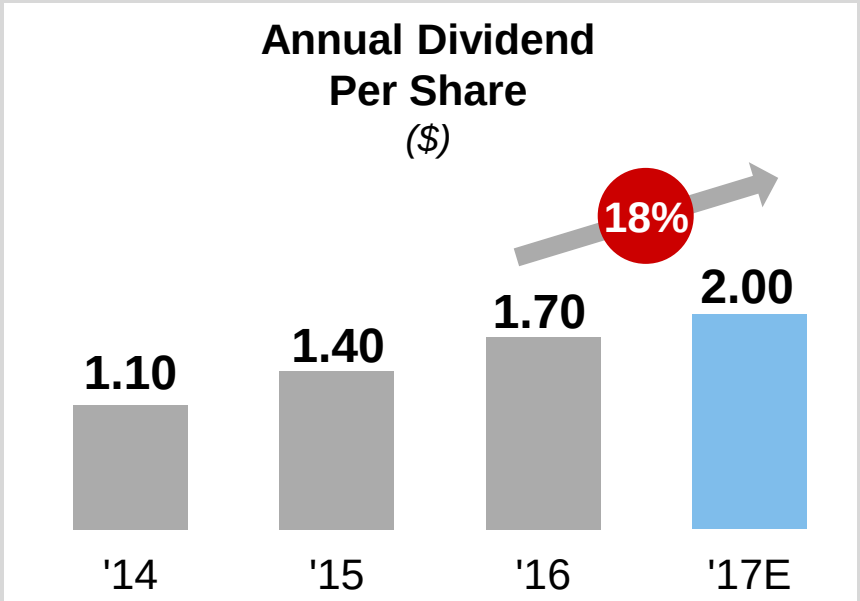


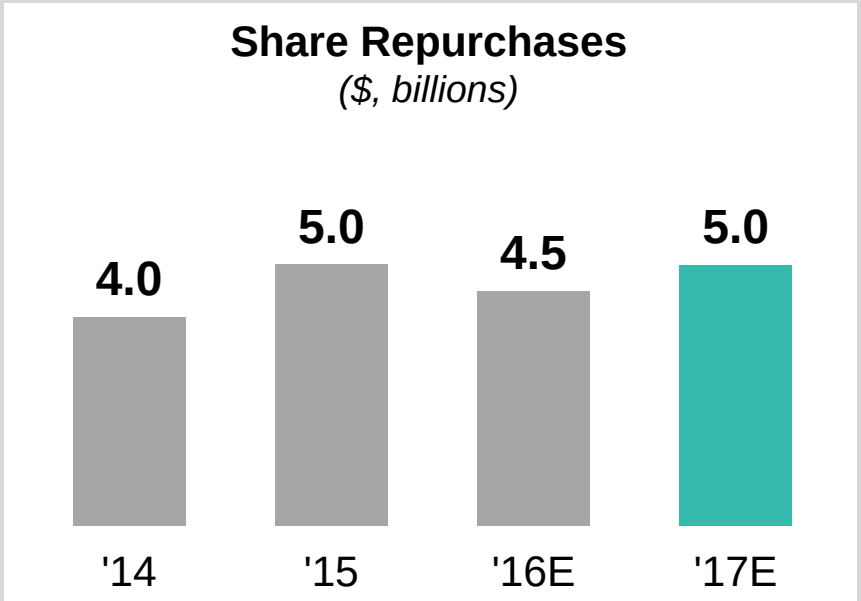
more than

$18 billion

authorized and remaining for share repurchase

2017 Will See a Dividend Increase of 18% and Further Share Repurchases





Nearly $7 billion expected to be returned to shareholders in 2017

Agenda

Strong Record of Execution

Marketplace Misconceptions

2017 Guidance Review

Solid Long-Term Outlook

MYTH #1

IF REBATES DISAPPEARED, PBM PROFITS WOULD SUBSTANTIALLY DROP

FACT #1

REBATES ARE BUT ONE OF MANY ELEMENTS OF PBM PROFITABILITY



FACT #1: Rebates Are but One of Many Elements of PBM Profitability

A Number of Elements Drive PBM Profitability

- Manage to overall profitability margin
- Clients' contracts structured differently, per client needs
- Profitability elements include:
  - Margin on:
    - Dispensing mail and specialty pharmacy scripts
    - Network pharmacy benefit management
  - Clinical programs
- Clients have audit rights and transparency

more than

90%

of rebates overall passed to clients

Refer to endnotes for additional information.

MYTH #2

CHANGES IN RATE OF DRUG PRICE INFLATION ARE A MEANINGFUL DRIVER OF PROFITABILITY



FACT #2

OVERALL IMPACT FROM A SLOWING RATE OF DRUG PRICE INFLATION IS NOT MEANINGFUL

FACT #2: Overall Impact From Changes in the Rate of Drug Price Inflation Is Not Meaningful

- **Drug price inflation changes affect businesses within the enterprise in different ways … some positively, some negatively**
  - For example, SilverScript is an insurance company that is negatively impacted by increasing drug price inflation (e.g., pay more in claims while premiums remain constant)
  - Conversely, rebates grow with increasing branded drug price inflation … however, more than 90% of rebates overall are passed through to clients, minimizing impact on PBM profitability

- **PBM's play a key role in helping plan sponsors manage drug price costs and improve overall health outcomes whether or not we are in periods of slowing or accelerating inflation**

MYTH #3

THE CVS HEALTH INTEGRATED MODEL IS NO LONGER THE MODEL OF CHOICE

FACT #3

OUR MODEL CONTINUES TO GAIN THE MOST SHARE AND IS BEST POSITIONED TO CONTINUE TO DO SO



FACT #3: Our Model Continues to Gain Share

Broadest Assets and Advantages

- Suite of assets enable solutions to meet diverse client and payor needs
- Being truly integrated yields enhanced patient experience helping to drive better health outcomes
- Face-to-face patient interactions a significant advantage
- Size and scale make us a low-cost provider
- Broadest market applicability; diverse client and payor base
- 2017 selling season: Caremark has won more than 50% of revenue from clients changing PBMs

enterprise script growth

~3X

market growth since 2013

Refer to endnotes for additional information.

Agenda

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2017 Guidance:
Enterprise Outlook

	Full-Year 2017
Net Revenue Growth	**4.0% to 5.75%**
Adjusted EPS *Year-Over-Year Change*	**$5.77 to $5.93** ***(0.5%) to 2.5%***
GAAP Diluted EPS	**$5.02 to $5.18**

Refer to endnotes for additional information.

2017 Guidance:
Continued Strong Free Cash Flow

in billions	Full-Year 2017
Operating Cash Flow	**$7.7 to $8.6**
Gross Capital Expenditures	***($2.0) to ($2.4)***
Sale-Leaseback Proceeds	***$0.3 to $0.2***
Net Capital Expenditures	**($1.7) to ($2.2)**
Free Cash Flow	**$6.0 to $6.4**
Year-Over-Year Change	***(13%) to (7%)***

Refer to endnotes for additional information.

2017 Guidance:
Healthy Growth in PBM

	Full-Year 2017
Net Revenue Growth	**8.5% to 10.5%**
Total Adjusted Claims	***1.46 billion to 1.48 billion***
Gross Profit Margin	**Modest decline**
Operating Expenses (% of net revenue)	**Modest improvement**
Operating Profit Growth *Operating Profit Margin*	**6.5% to 9.5%** ***Flat to Down***

Refer to endnotes for additional information.

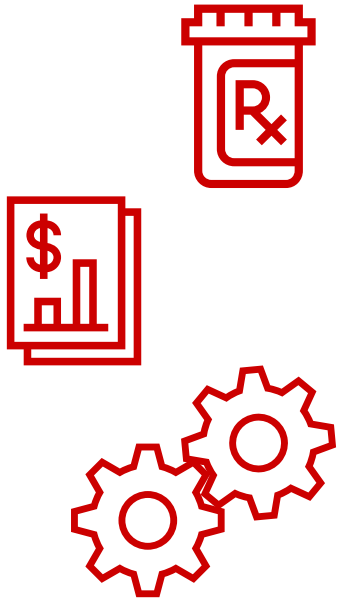
2017 Guidance:
Retail/LTC Outlook

	Full-Year 2017
Net Revenue Change	**Flat to (1.5%)**
Same Store Sales	***(1%) to (2.5%)***
Same Store Adjusted Scripts	***Flat to 1%***
Gross Profit Margin	**Modest decline**
Operating Expense (% of net revenue)	**Moderate decline**
Operating Profit Change	**(7%) to (9.5%)**
Operating Profit Margin	**Notable decline**

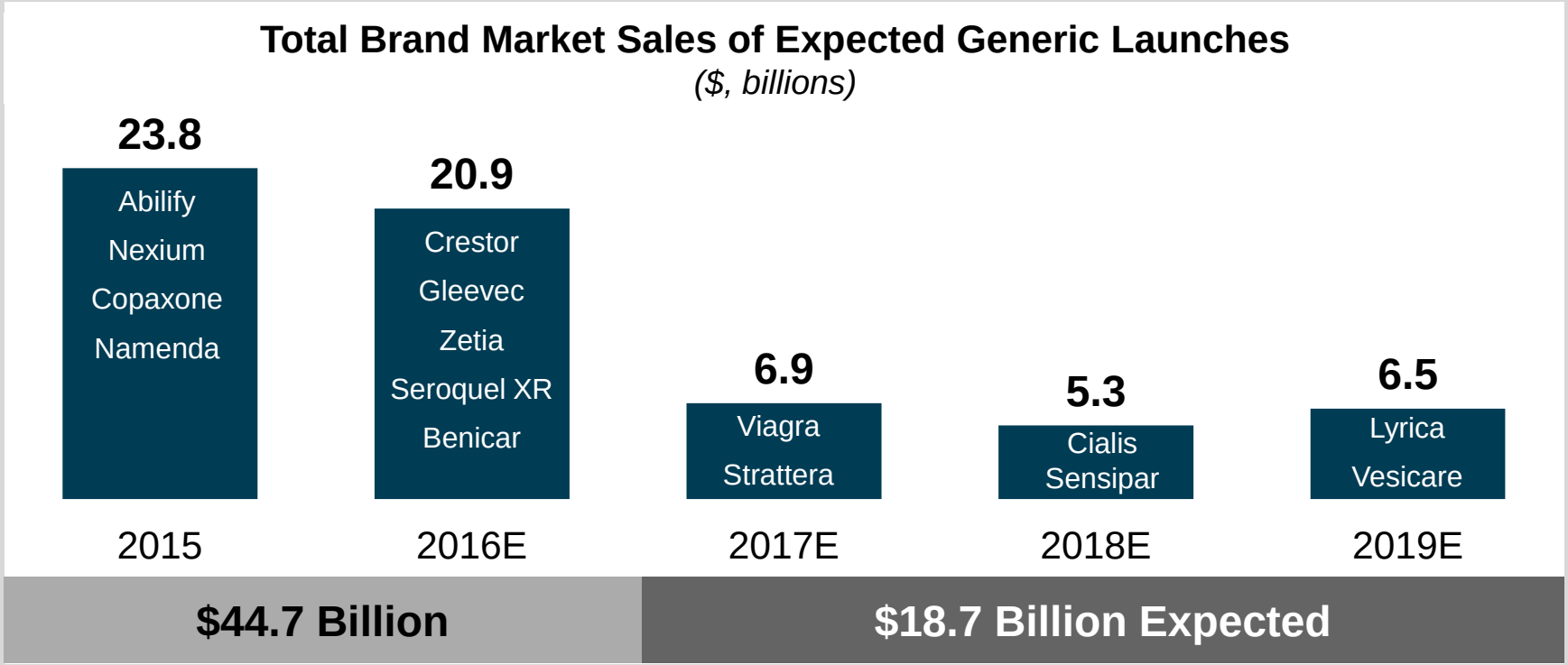
Refer to endnotes for additional information.

Key Drivers of 2017 Expectations

- **Reimbursement and pricing pressure**
- **Impact of recent network changes**
- **Accretion from Omnicare and Target assets**
- **Timing of generic launches and biosimilars**
- **Enterprise streamlining initiative**



Generics Remain an Opportunity



Refer to endnotes for additional information.

Generics: Break-Open Generic Benefit Expected to Slow in Coming Years

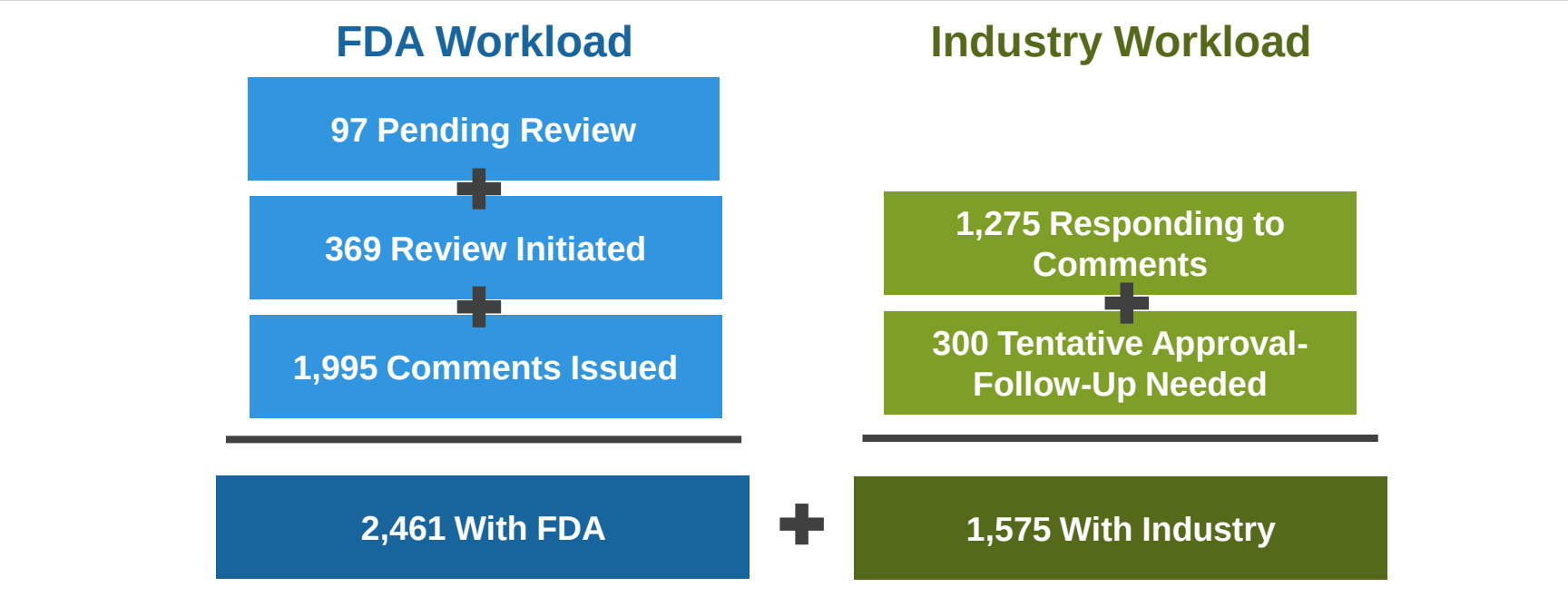
Total Brand Market Sales of Expected Generic Launches in Break-Open Period

($, billions)



Refer to endnotes for additional information.

Backlog of Generic Approvals Creates an Opportunity



Refer to endnotes for additional information.

Backlog of Generic Approvals Creates an Opportunity

Total Backlog

4,036

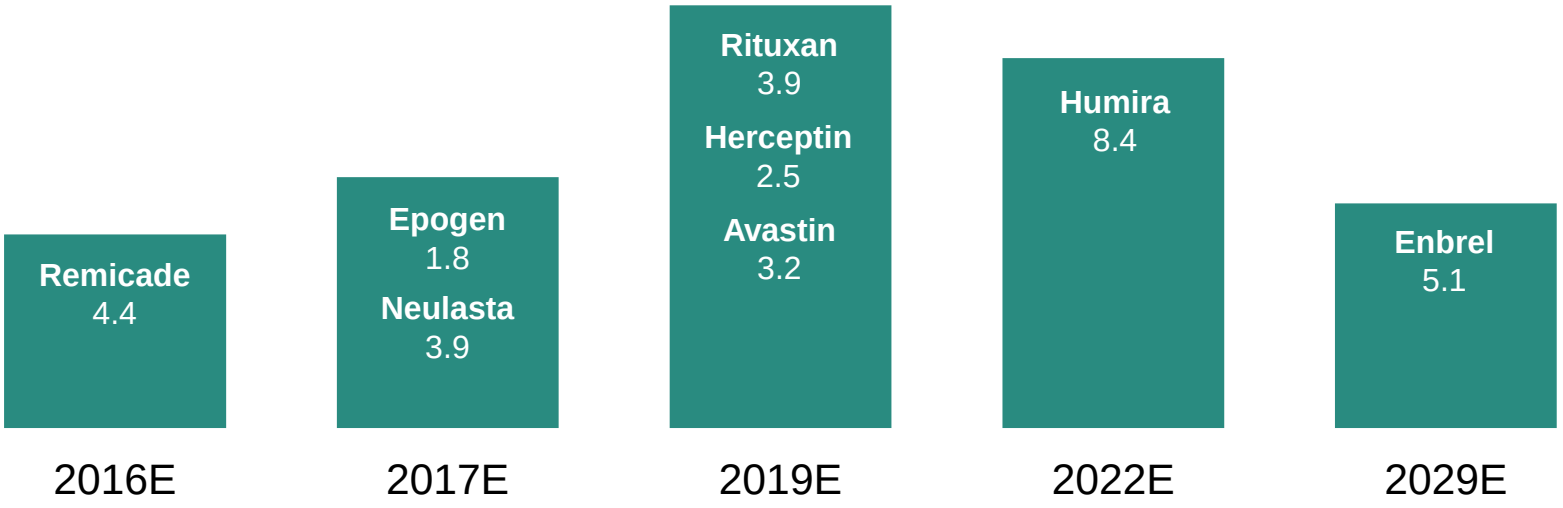
Expect increased effort to bring generics to market faster

Refer to endnotes for additional information.

Biosimilars Represent an Additional Opportunity

2015 U.S. Sales and Projected Year of Earliest Possible Market Entry

($, billions)



Refer to endnotes for additional information.

While Incremental Generic Benefits Are Declining, Biosimilars Will Become a Bigger Opportunity

- **Biosimilars are expected to act more like brands than generics; they will have less of a margin benefit**
- **As specialty pipeline evolves, biosimilars are expected to provide competition, accessibility and cost savings**
- **Present opportunities for formulary strategies:**
  - Biosimilars added to the 2017 formulary
  - Lower cost for payors we support
  - Incremental margin opportunities for the enterprise

Well-positioned to benefit from biosimilars

Embark on Streamlining Initiative to Maximize Use of Enterprise Assets

What we will do…

1. **Store Rationalization**
2. **Enhance Efficiency of Corporate Shared Service**
3. **Optimize Pharmacy Delivery Platform**

…in order to:



Maximize consistency and efficiency of patient experience



Reduce redundancies

Maximize productivity of our assets



Lower cost of our enterprise

Embark on Streamlining Initiative to Maximize Use of Enterprise Assets

What we will do…

1. **Store Rationalization**
2. Enhance Efficiency of Corporate Shared Service
3. Optimize Pharmacy Delivery Platform

- Opportunity to trim our store base, closing 70 stores, while …
- … continuing to provide convenient local access to the millions of patients we serve on a daily basis

Embark on Streamlining Initiative to Maximize Use of Enterprise Assets

What we will do…

1. Store Rationalization
2. **Enhance Efficiency of Corporate Shared Service**
3. Optimize Pharmacy Delivery Platform

- **Consolidating similar activities across business units**
- **Early results are promising**
  - 15% to 20% reductions in labor costs for relocated activities

Embark on Streamlining Initiative to Maximize Use of Enterprise Assets

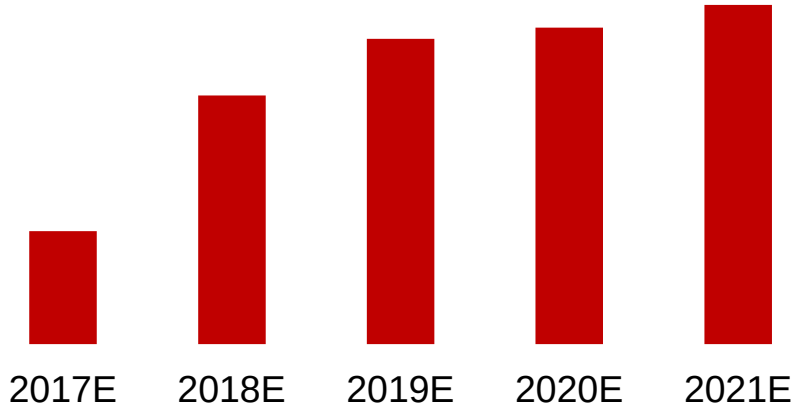
What we will do…

1. Store Rationalization
2. Enhance Efficiency of Corporate Shared Service
3. **Optimize Pharmacy Delivery Platform**

- **Will seamlessly redistribute various aspects of pharmacy workload**
- **Better maximize script fulfillment capacity through use of process redesign and technology**

Streamlining Initiative Expected to Deliver Nearly $3 Billion in Savings From 2017 Through 2021

$700 to $750 Million in Estimated Annual Savings



Savings Will Begin to Exceed Costs in 2018

Savings

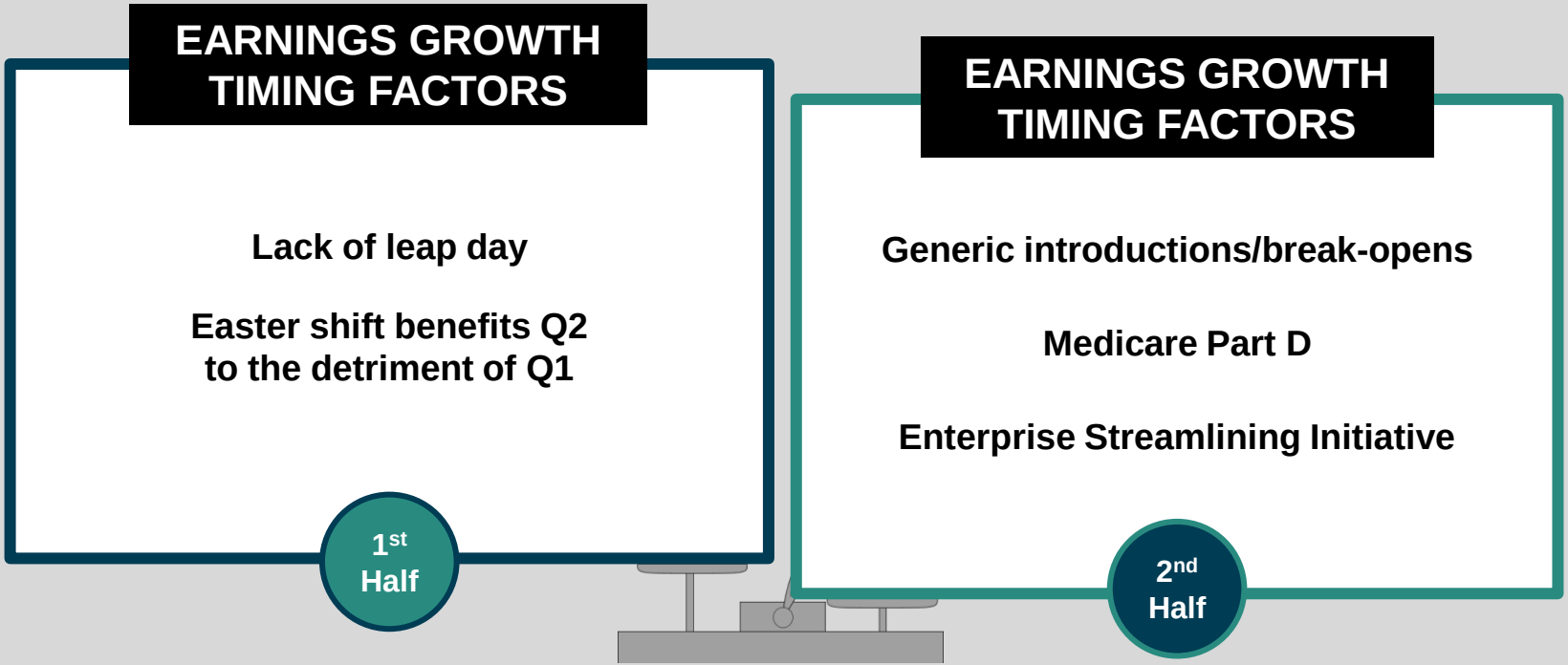
- Two-thirds in Retail/LTC; one-third PBM

Estimated Cost To Achieve

- *Operating Expense:*
  - ~ $700M in total 2016–2021
  - Store rationalization:
    - 2016 ~ $35M
    - 2017 ~ $230M
- *Capital Expense:*
  - ~ $450M in total 2016–2021

Refer to endnotes for additional information.

2017 Earnings Growth Significantly Back-Half Weighted



2017 Q1 Guidance:
Challenging EPS Growth Due to Timing Factors

	Q1 2017
Net Revenue Growth	**2.5% to 4.25%**
Adjusted EPS *Year-Over-Year Change*	**$1.07 to $1.13** ***(9.75%) to (4.75%)***
GAAP Diluted EPS	**$0.82 to $0.88**

Refer to endnotes for additional information.

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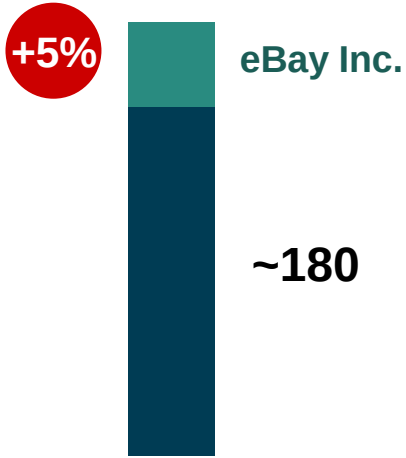
Steady State Enterprise Targets

	Long-Term Growth Targets
Net Revenue Growth	~11%
Operating Profit Growth	~6%
Preliminary Adjusted EPS Growth	~5%
Average **Annual** Cash Available for Enhancing Shareholder Value	~$7 to $8 billion
Share Repurchase Contribution	~5%
Final Adjusted EPS Growth	~10%

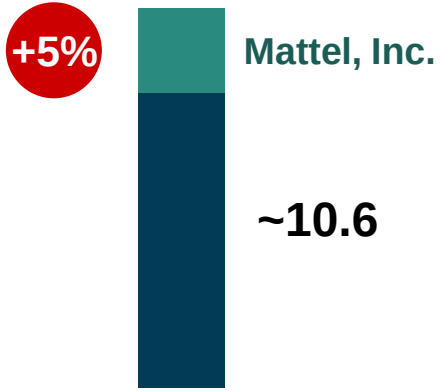
Refer to endnotes for additional information.

Illustrative Example of Meeting Growth Expectations

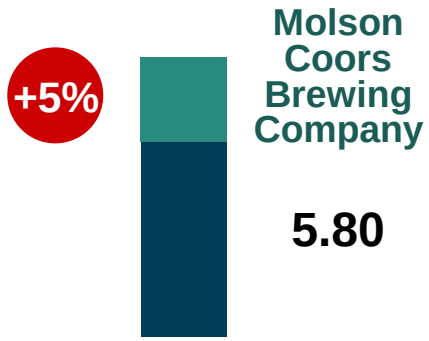
Revenue
($, billions)



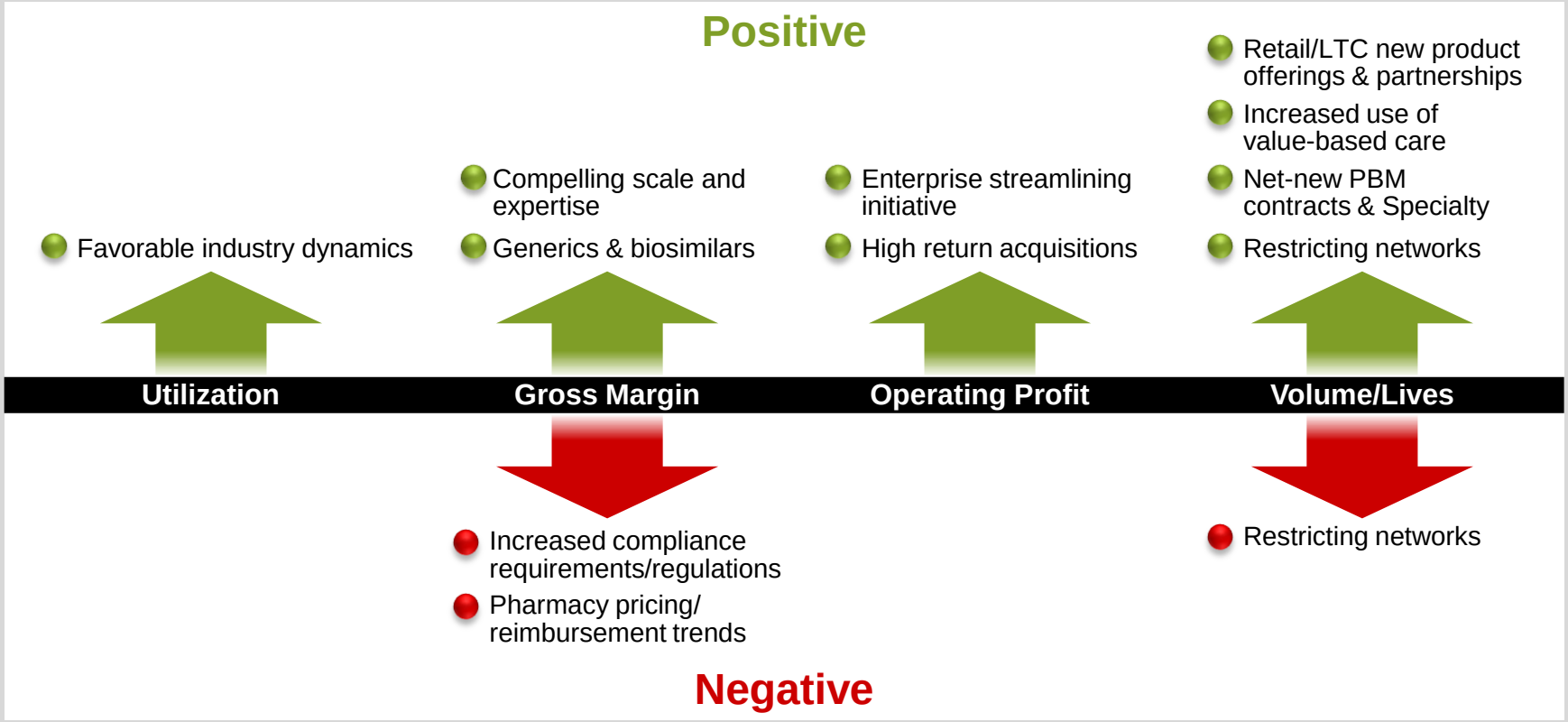
Operating Profit
($, billions)



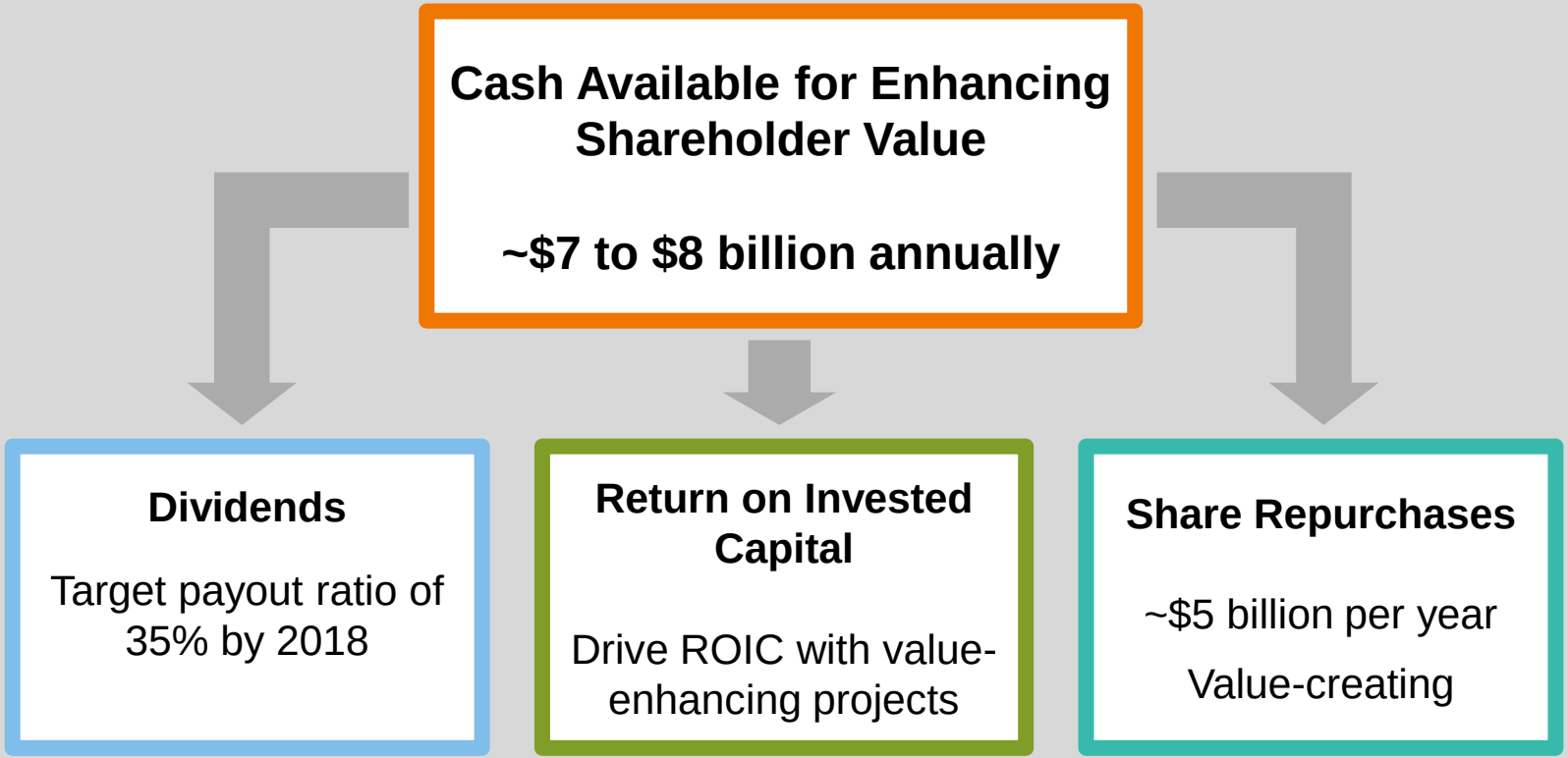
Adjusted EPS
($)



Steady State Target Assumptions



Continue to Enhance Shareholder Return



Refer to endnotes for additional information.

Cash Allocation Priorities

Capital Returned to Shareholders	Dividends • *Maintain 35% target payout ratio*
	Repurchase stock • *Absent more attractive alternatives, take advantage of share valuation*
Value-Enhancing Investments	• *Continued technology improvements and other investments in the business*
Acquisition Opportunities	• *Continue to stay ahead of the evolving health care market through acquisitions that drive growth*
Capital Structure	• *Maintain credit rating of BBB+* • *Return to 2.7x Adjusted Debt-To-EBITDA*

Many Initiatives You'll Hear About Today to Continue to Drive Enterprise Profit Growth

- **Health plans represent significant opportunity** to drive value and capture share, whether or not we're the PBM
- **Continued innovation** will fuel future PBM success
- Our **specialty business** has unmatched assets and continues to outpace the market
- Partnering in retail to enable **pharmacy share gains**
- **Omnicare and Target assets** expand reach of retail pharmacy
- Changes in health care to **value-based care** present opportunities
- **Low-cost provider** status expected to help drive share
- Opportunities remain within **generics, Red Oak Sourcing and biosimilars**
- **Strategic acquisitions** will continue to supplement growth

Today's Key Takeaways

Driving More Affordable, Accessible and Effective Care

Unmatched Track Record	Proven track record of success meeting long-term growth targets, generating significant free cash flow and optimizing capital allocation to drive shareholder value
Powerful Cash Engine	On average, expect to generate $7 billion to $8 billion of cash, annually, to enhance shareholder value
Positioned for L-T Enterprise Growth	Unique, integrated model allows us to benefit from changes in the marketplace while our streamlining effort will help position us for sustainable, long-term enterprise growth



Maximizing Shareholder Value With an Enterprise Mindset

Appendix



Non-GAAP Financial Measures

Free Cash Flow and Cash Available for Enhancing Shareholder Value

Net cash provided by operating activities

- \- Additions to property and equipment
- \+ Proceeds from sale-leasebacks

Free cash flow

- +/- Change in net debt
- +/- Change in cash

Cash available for enhancing shareholder value

Adjusted Earnings Per Share

Income before income tax provision

- +/- Non-GAAP adjustments
- \- Adjusted income tax provision
- \- Earnings allocated to participating securities
- \- Net income attributable to noncontrolling interest
- ÷ Weighted average diluted shares outstanding

Adjusted earnings per share

Refer to endnotes for additional information.

Additional Non-GAAP Financial Measures

Adjusted Debt and Adjusted Debt-To-EBITDA

Total borrowings

\+ Net present value of operating leases

Adjusted debt

÷ Adjusted EBITDA

Adjusted debt-to-EBITDA

EBITDA and Adjusted EBITDA

Net income

\+ Income tax provision

Income before income tax provision

\+ Depreciation and amortization

EBITDA

\+ Loss on early extinguishment of debt

\+ Implied interest expense on operating leases

Adjusted EBITDA

Net Present Value of Operating Leases

Future minimum lease payments under operating leases

\- Sublease income

Apply the discount rate to each year of payments

Net present value of operating leases

Average net present value of operating leases used to determine implied interest expense

2017 Guidance: Consolidated Income Statement

	Full-Year 2017
Corporate Segment Expense	$890 million to $900 million
Intercompany Eliminations *(% of combined segment revenues)*	*~12%*
Gross Profit Margin	Notable decline
Operating Expense *(% of consolidated revenue)*	Modest improvement
Operating Profit Margin	Moderate decline

Refer to endnotes for additional information.

2017 Guidance: Consolidated Income Statement

	Full-Year 2017
Net Interest Expense	~$1.01 billion to $1.02 billion
Effective Tax Rate	*~39%*
Weighted Average Shares	~1.04 billion
Consolidated Amortization	~$825 million
Consolidated Depreciation & Amortization	~$2.5 billion

Refer to endnotes for additional information.

Share-Based Compensation Accounting Change

- **Share-based compensation accounting change effective January 1, 2017**
  - All excess tax benefits and deficiencies should be recognized in the income statement; previously they were recorded to equity
  - Impacts the income, income tax provision and earnings per share calculation
  - Significant changes in stock price will drive changes in earnings per share

Defined Benefit Pension Plan Settlement to Affect Only GAAP Results

- **Estimated settlement charge of $220 million**
  - In September 2015, four of our defined benefit pension plans merged into one plan
  - In December 2015, the merged plan was terminated
  - The settlement of the terminated plan is expected to occur in the third quarter of 2017

2017 Q1 Guidance: Segment Performance Reflects Impact of Timing Factors

		Q1 2017
Retail/LTC	Net Revenue Change	**(1.25%) to (3.0%)**
	Same Store Sales *Same Store Adjusted Scripts*	***(2.25%) to (4.0%)*** ***Flat to (1%)***
	Operating Profit Change	**(14.5%) to (17.5%)**
Pharmacy Services	Net Revenue Change	**7.0% to 8.75%**
	Operating Profit Change	**Flat to 2%**

Refer to endnotes for additional information.

Endnotes

Slide 4, 5

1. Refer to non-GAAP tab in Analyst Day presentation book or the Investor Relations portion of the CVS Health website for Adjusted EPS reconciliation for the year ending December 31, 2016 and the year ended December 31, 2015.
2. CVS retail and mail scripts include the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.
3. Refer to non-GAAP tab in Analyst Day presentation book or the Investor Relations portion of the CVS Health website for Free Cash Flow reconciliation for the year ending December 31, 2016 and the year ended December 31, 2015.

Slide 6

1. Operating profit estimate of $10.5 billion to $10.6 billion for the year ending December 31, 2016 excludes $207 million of acquisition-related integration costs from January 1, 2016, through September 30, 2016, a $3 million charge related to a disputed 1999 legal settlement and an estimated $35 million impairment charge for store rationalization related to our enterprise streamlining initiative. Including these items, operating profit for the year ending December 31, 2016, is expected to be in the range of $10.3 billion to $10.4 billion. Operating profit for the year ended December 31, 2015, excludes $220 million of acquisition-related transaction and integration costs and a $90 million charge related to a disputed 1999 legal settlement. Including these items, operating profit for the year ended December 31, 2015 was $9.8 billion. Operating profit for the year ended December 31, 2013 excludes a $72 million gain on a legal settlement, and including this amount, operating profit was $8.0 billion.
2. Estimated integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target for the period from October 1, 2016 to December 31, 2016 are excluded from 2016 estimates.
3. Refer to non-GAAP tab in Analyst Day presentation book or the Investor Relations portion of the CVS Health website for Adjusted EPS reconciliation for the year ending December 31, 2016 and the year ended December 31, 2015.
4. Adjusted EPS for the year ended December 31, 2014 excludes $518 million of amortization of intangible assets and a $521 million loss on early extinguishment of debt. Adjusted EPS for the year ended December 31, 2013 excludes $494 million of amortization of intangible assets and a $72 million gain on a legal settlement.
5. CAGR is based on the midpoint of 2016 guidance.

Endnotes

Slide 7

1. Refer to non-GAAP tab in Analyst Day presentation book or the Investor Relations portion of the CVS Health website for Free Cash Flow reconciliation for the year ending December 31, 2016 and the year ended December 31, 2015.

Slide 8

1. Figures shown are as of the end of the fourth quarter for each respective year and include bridge financing in 2015, transaction and integration costs in 2015 and 2016 associated with the acquisitions of Omnicare and the pharmacies and clinics of Target, as well as, the loss on early extinguishment of debt in 2014 and 2016, the charges related to a disputed 1999 legal settlement in 2015 and 2016 and an estimated asset impairment charge in Q4 2016 for store rationalization related to our enterprise streamlining initiative.

Slide 17

1. The calculation of the percentage of rebates passed to clients excludes our SilverScript individual PDP products.

Slide 23

1. Script growth includes scripts adjusted to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.
2. Revenue from clients changing PBMs Source: CVS Health internal data analysis.

Slide 25

1. Refer to non-GAAP tab in Analyst Day presentation book or the Investor Relations portion of the CVS Health website for Adjusted EPS reconciliation for the years ending December 31, 2016 and 2017.
2. Year-over-year changes based on the midpoint of 2016 guidance.

Slide 26

1. Refer to non-GAAP tab in Analyst Day presentation book or the Investor Relations portion of the CVS Health website for Free Cash Flow reconciliation for the years ending December 31, 2016 and 2017.
2. Year-over-year changes based on the midpoint of 2016 guidance.
3. CVS Health finances a portion of its store development program through sale-leaseback transactions. Use of sale-leaseback financing is subject to change as a variety of financing vehicles for future development are evaluated.

Endnotes

Slide 27

1. Year-over-year growth based on the midpoint of 2016 guidance.
2. Total adjusted claims include the adjustment to convert 90-day, mail choice claims to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.

Slide 28

1. Year-over-year change based on the midpoint of 2016 guidance.
2. Same store sales and prescriptions exclude revenues from MinuteClinic, and revenue and prescriptions from stores in Brazil, long-term care operations and from commercialization services.
3. Same store adjusted scripts includes the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.
4. Estimated integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target for the period from October 1, 2016 to December 31, 2016, as well as estimated integration costs related to the acquisition of Omnicare for the full-year 2017, are excluded from 2016 and 2017 estimates of gross profit margin, operating expenses as a percentage of net revenues and operating profit change and margin.
5. Operating profit change for the year ending December 31, 2016 excludes $207 million of acquisition-related integration costs from January 1, 2016 through September 30, 2016 and an estimated $35 million impairment charge in Q4 2016 for store rationalization related to our enterprise streamlining initiative. Operating profit change for the year ending December 31, 2017 excludes an estimated $230 million charge for lease obligations in connection with store rationalization related to our enterprise streamlining initiative.

Slide 30

1. 2015 includes all actual launches; 2016E forward includes all actual launches and only expected launches in total brand numbers whose annual sales exceed $100 million (key launches highlighted) and assumes 6 months pediatric extension on all launches. Forward-looking analysis assumes no “at risk” launches. This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Health.
2. Source: IMS Health; CVS Health internal data analysis.

Endnotes

Slide 31

1. For each year (2015-2019), slide provides brand market sales for generic products that are expected to break open. These estimates are based off IMS data.
2. Brand market sales are at the time of first generic launch or last 12 months for pipeline products. Impact may span consecutive years as this is measured 12 months from day of launch. Break-open dates on the 15th or later are rounded to next full month; dates before the 15th credited to that month.
3. The data is based on our launch expectations as of October 12, 2016.

Slide 32, 33

1. Source for generics awaiting approval: Generic Drug Review Dashboard from the Office of Generic Drugs. The data is as of July 1, 2016.

Slide 34

1. Dates included in this slide are reflective of likely U.S. Food and Drug Administration (FDA) approval date based on data available as of August 31, 2016. Actual approval date may occur before or after the date shown on this slide, or not at all. This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Health.

Slide 40

1. Savings are gross figures, before depreciation of capital costs.

Slide 42

1. Refer to non-GAAP tab in Analyst Day presentation book or the Investor Relations portion of the CVS Health website for Adjusted EPS reconciliation for the quarter ending March 31, 2017 and the quarter ended March 31, 2016.

Slide 44, 47

1. The Company has not provided a reconciliation of the long-term targets announced today to comparable GAAP measures, as the Company is unable to reasonably estimate the GAAP items excluded from the multi-year, long-term targets.

Endnotes

Slide 52

1. CVS Health finances a portion of its store development through sale-leaseback transactions. Use of sale-leaseback financing is subject to change as a variety of financing vehicles for future development are evaluated.

Slide 54

1. Corporate segment expense for the year ending December 31, 2017 excludes a $220 million settlement of the Company's largest defined benefit pension plan.

Slide 58

1. Same store sales and prescriptions exclude revenues from MinuteClinic, and revenue and prescriptions from stores in Brazil, long-term care operations and from commercialization services.
2. Same store adjusted scripts include the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.
3. Operating profit change estimates exclude an estimated $230 million charge for lease obligations in connection with store rationalization related to our enterprise streamlining initiative, as well as acquisition-related integration costs related to the acquisition of Omnicare for Q1 2017.

Delivering Value for All Health Care Stakeholders

Larry Merlo
President & Chief Executive Officer

CVS Health



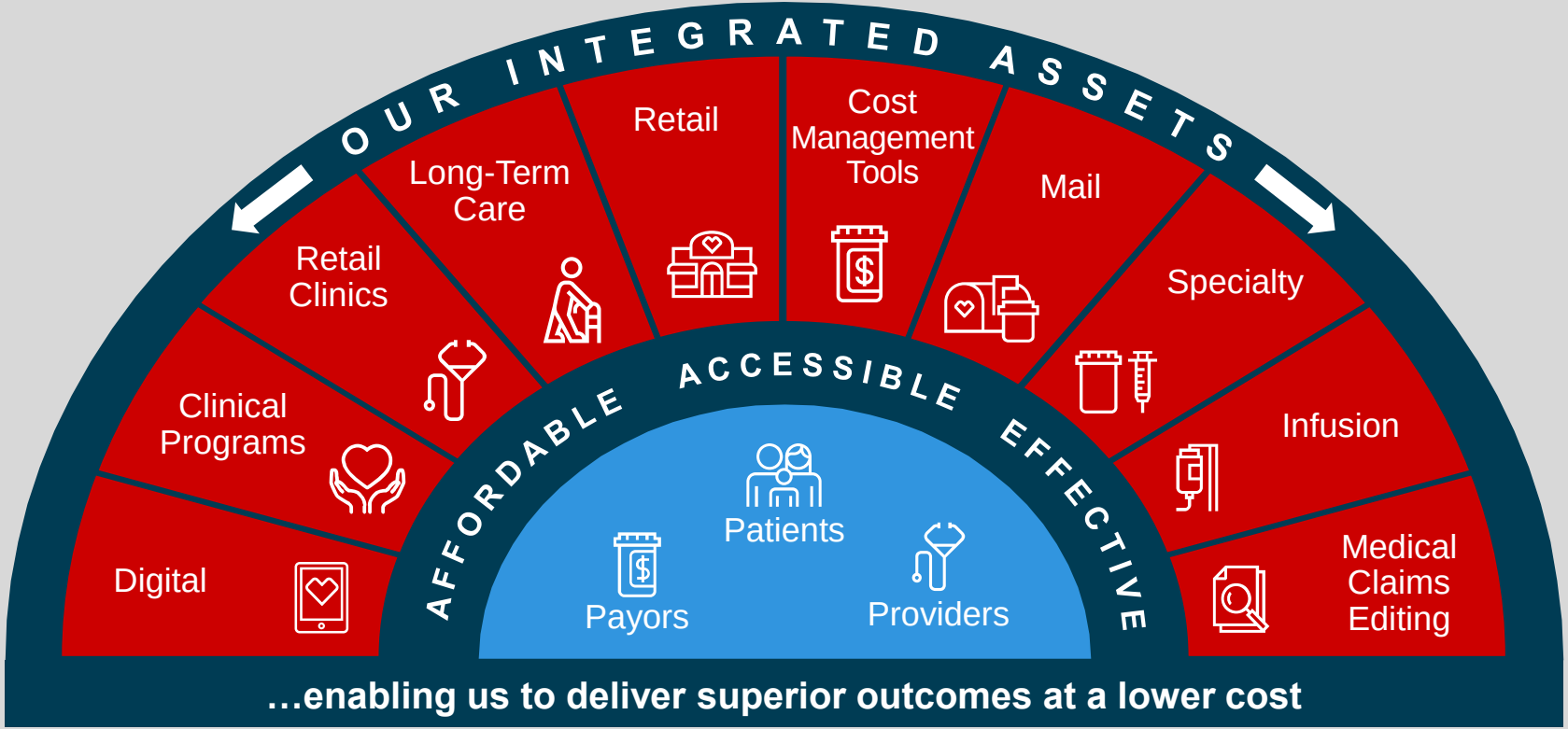
Agenda

Our Value Proposition Has Never Been Stronger

We See Compelling Opportunities in a Robust Health Care Market

How We'll Drive Long-Term Enterprise Growth

The Most Extensive Suite of Leading Assets…



Our Integrated Model Drives More Affordable, Accessible and Effective Care

Proprietary Programs

Maintenance Choice

Specialty Connect

Pharmacy Advisor

Appropriate Utilization, Better Outcomes

Higher penetration rates of programs, resulting in better outcomes



Health Engagement Engine

Clinical rules engine with powerful analytical capabilities, providing real-time, actionable information

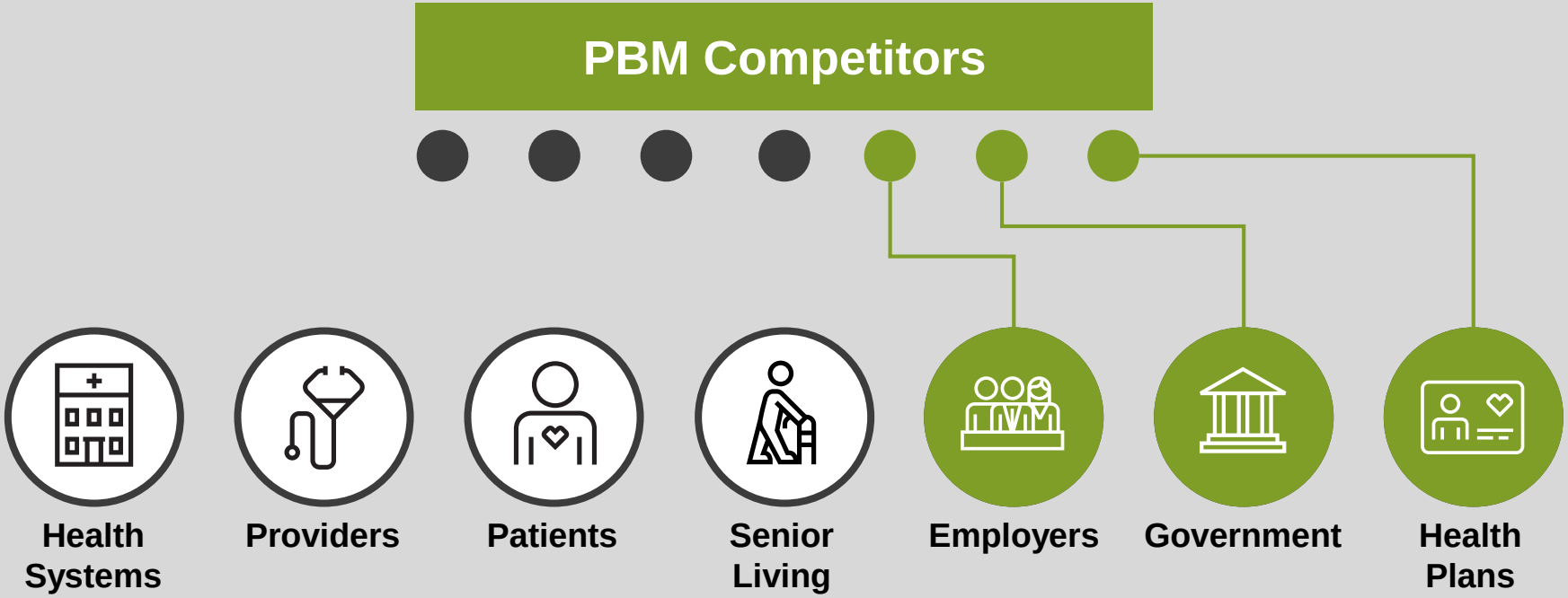
Full View of Patient

Enabling single patient record and simplicity of single digital platform to manage all prescriptions

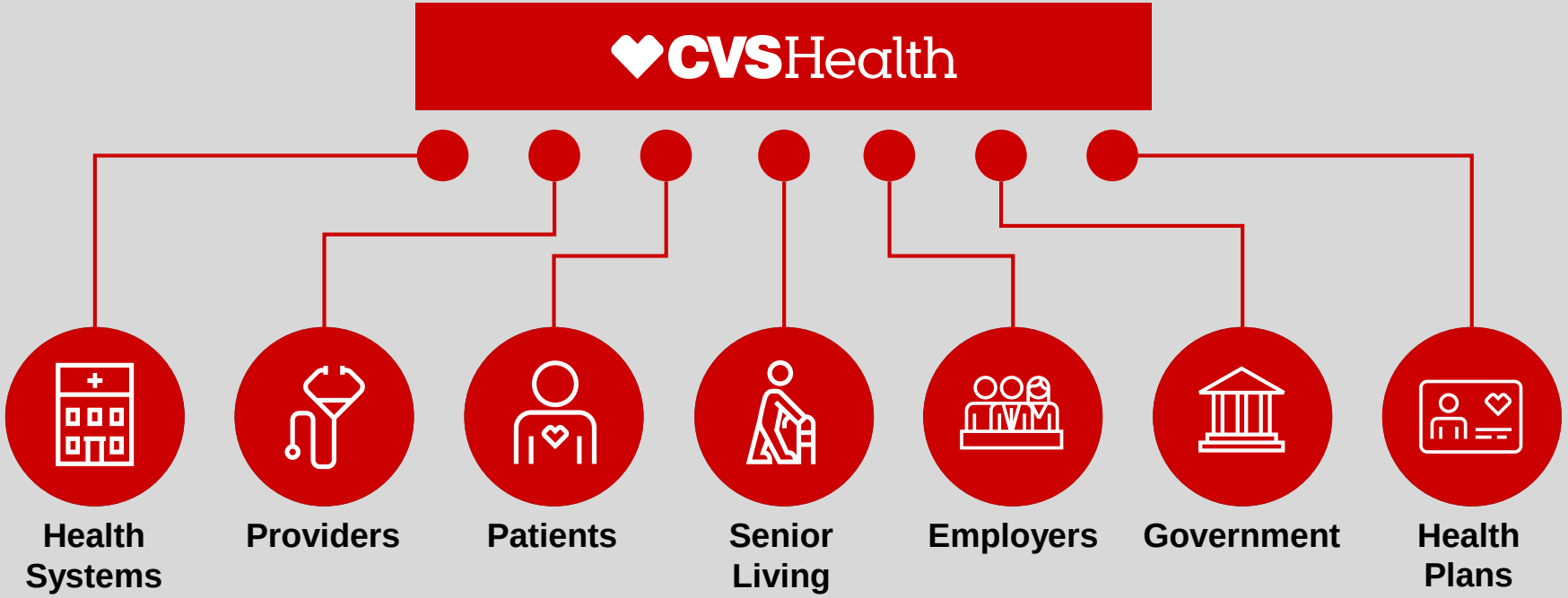
Traditional Competitor Touchpoints Are Limited



Traditional Competitor Touchpoints Are Limited



Our Suite of Assets Provides Touchpoints Across All Health Care Stakeholders



Our Competitive Advantage:

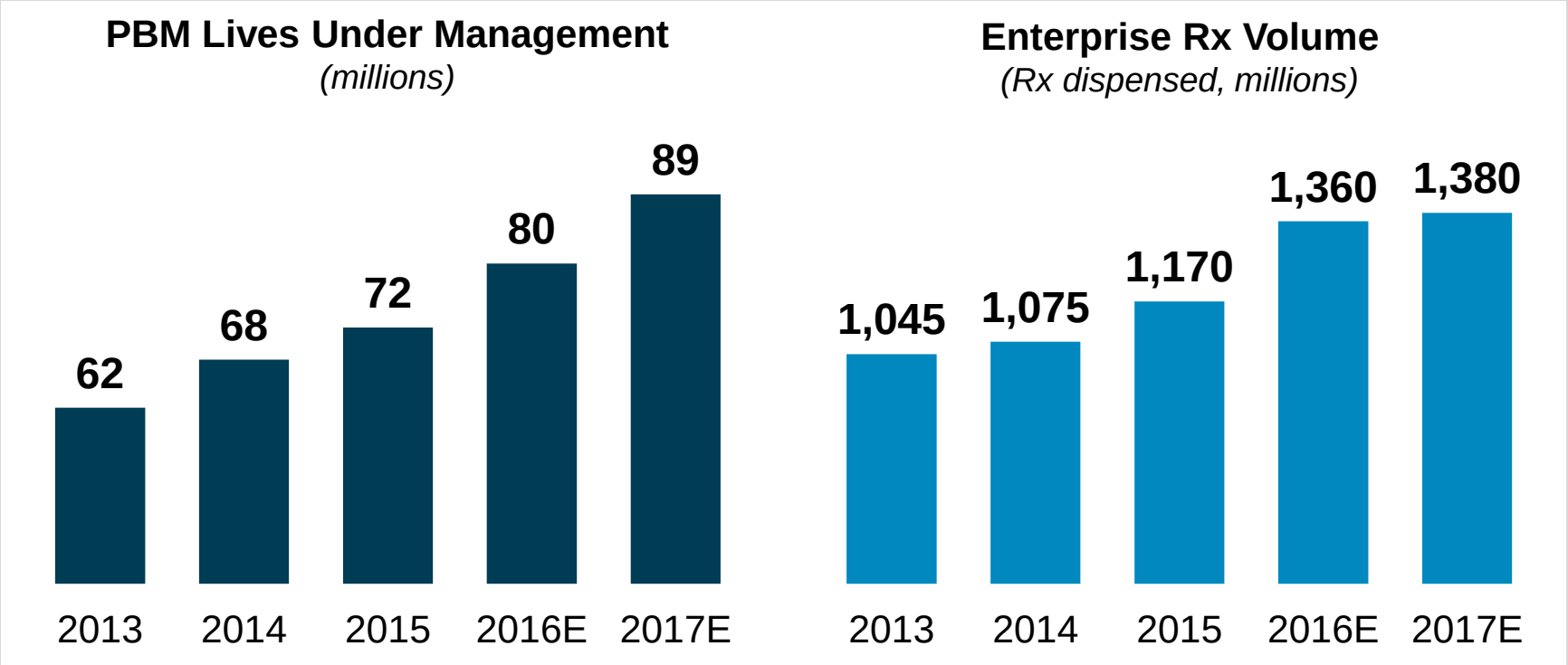
- **Premier company** with the ability to impact patients, payors and providers with innovative, channel-agnostic solutions
- **Deep clinical expertise and insights** enable us to help deliver superior outcomes at a lower cost
- **Unmatched CVS Pharmacy value proposition** for all payors
- **Broadest specialty capabilities** to holistically manage patients in growing market
- **Leading pharmacy provider in long-term care**, enabling broader patient reach across the care continuum
- **Site-of-care management capabilities** to move patients to more cost-effective sites
- **Largest retail clinic operator**, providing convenient, cost-effective care
- **Unparalleled scale** in the U.S. making us a low-cost provider

Continued Selling Season Success …

More than **$40 billion** in gross wins over past five years, with client retention of **96% to 97%**

Refer to endnotes for additional information.

…Fueling Growth in PBM Lives and Enterprise Volume



Refer to endnotes for additional information.

Agenda

Our Value Proposition Has Never Been Stronger

We See Compelling Opportunities in a Robust Health Care Market

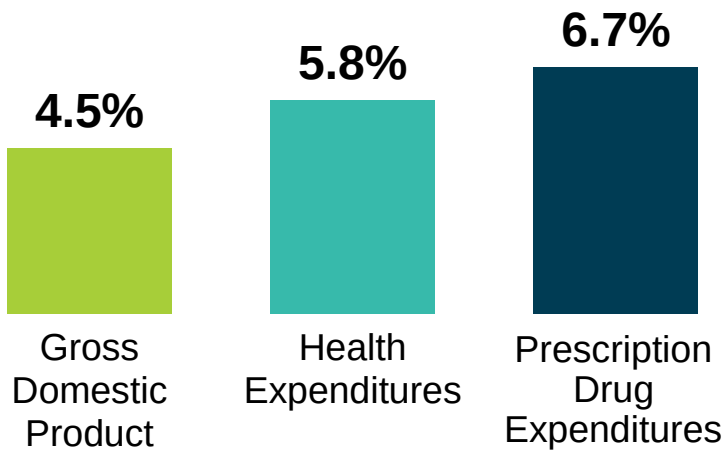
How We'll Drive Long-Term Enterprise Growth

We See Compelling Opportunities in a Robust Health Care Market

1	**Focus on Trend Management**
2	**Evolving Role of Government in Health Care**
3	**Movement to Value-Based Care Slow, But Inevitable**
4	**Ongoing Benefits of Size and Scale**
5	**Increasing Consumerism / *Retailization* of Health Care**
6	**Growing Role of Digital**

Growth in Health Care and Pharmacy Spend Projected to Outpace GDP Growth

Annual Growth Rate
(%, 2015-2025)

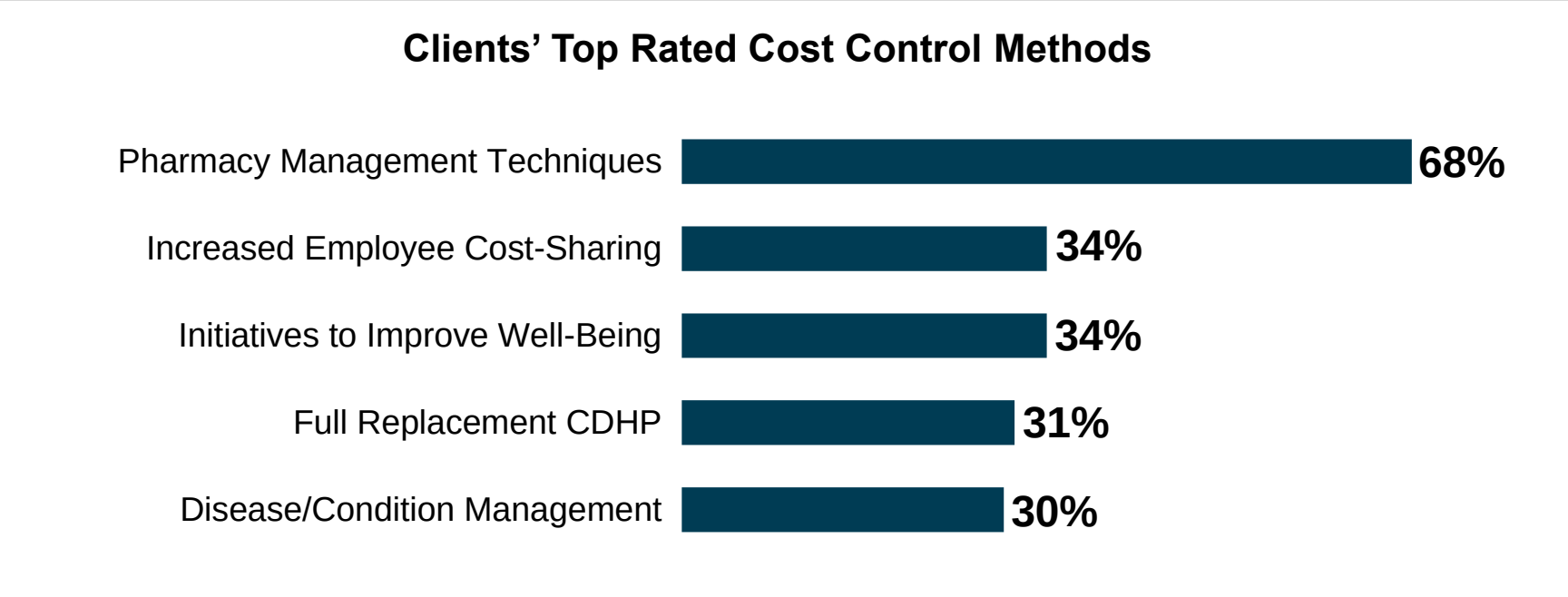


Drivers of Trend

- Increased utilization
  - Growing prevalence of chronic disease
- Rising prescription costs
  - Growth in specialty
  - Drug price inflation

Refer to endnotes for additional information.

Clients Continue to Value PBMs as an Indispensable Solution to Rising Costs



Refer to endnotes for additional information.

Suite of Capabilities Improving Health Care Affordability

Cost Management Solutions

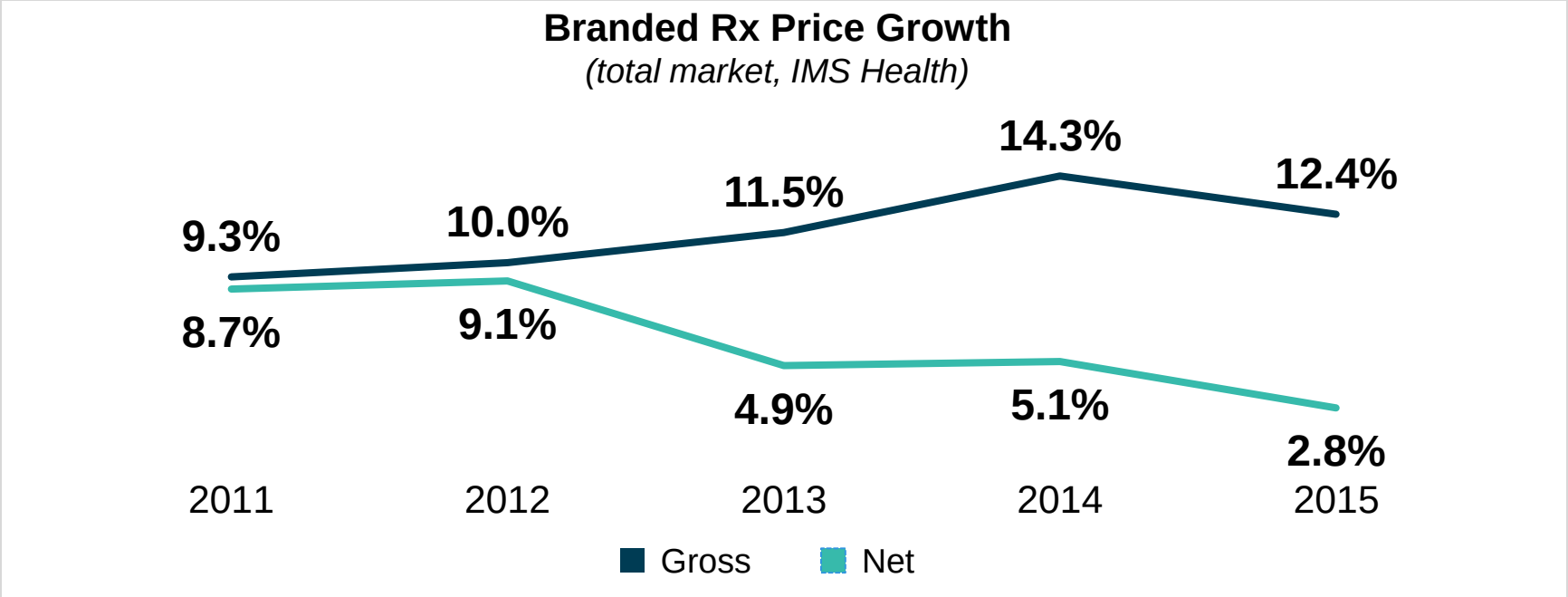
- Utilization Management ✓
- Site-Of-Care Management ✓
- Formulary Management ✓
- Medical Claims Editing ✓
- Network Strategies ✓
- Real-Time Surveillance ✓
- Generic Programs ✓
- Clinical Programs ✓

Cost management solutions have lowered client trend to

3.3%

Refer to endnotes for additional information.

Mitigated Branded Price Increases With Cost Management Solutions



Refer to endnotes for additional information.

We See Compelling Opportunities in a Robust Health Care Market

1	Focus on Trend Management
2	**Evolving Role of Government in Health Care**
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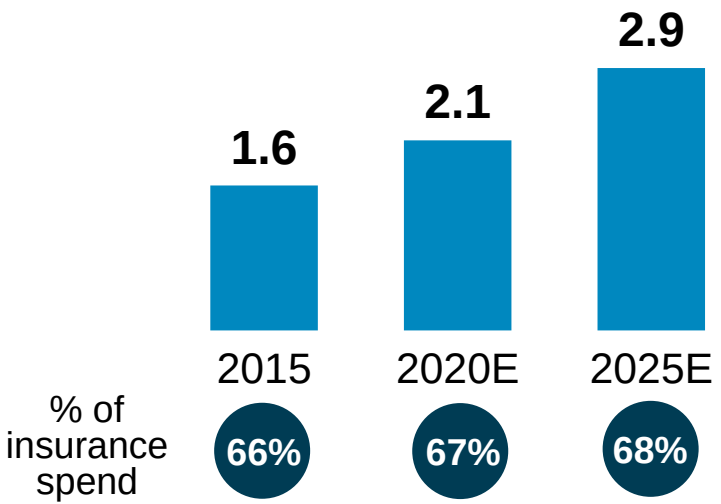
6	Growing Role of Digital

Government Accounts for Two-Thirds of Health Insurance Spending

Government Health Insurance Spend

($, trillions)



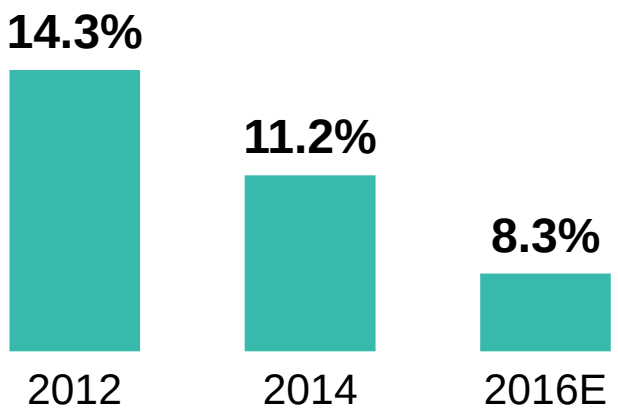
Key Drivers

- Growth in government programs
  - Medicare
  - Medicaid
- These businesses are lower margin, but have higher utilization

Refer to endnotes for additional information.

Demand for Cost-Effective Care Will Remain Despite Uncertainty Around Health Care Reform

U.S. Uninsured Rate



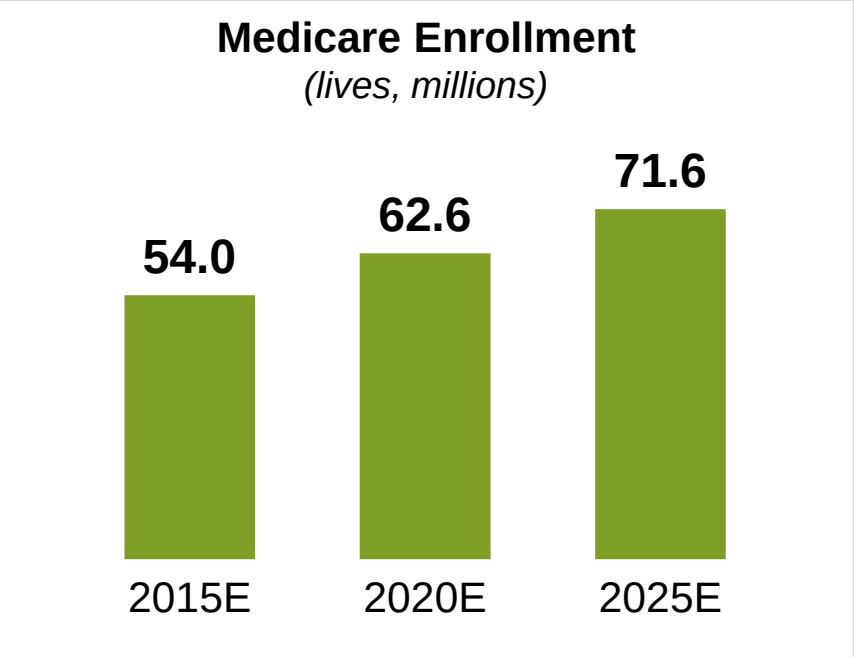
Future Outlook

- Many unknowns around repeal and replace
- Some ACA policies could remain, while others could change
- Need for coverage expected to remain

CVS Health can pivot to address policy changes with the right solutions

Refer to endnotes for additional information.

CVS Health Well-Positioned to Capitalize on Growth in Medicare



CVS Health Advantages

- CVS Caremark: 12 million total Med D members
  - SilverScript is the largest PDP with 5.6 million members
  - Also support Med D/MAPD offerings of more than 40 health plans
- CVS Pharmacy: Medicare represents 23% of prescriptions dispensed
- Omnicare is a leading pharmacy provider in the long-term care market

Refer to endnotes for additional information.

We See Compelling Opportunities in a Robust Health Care Market

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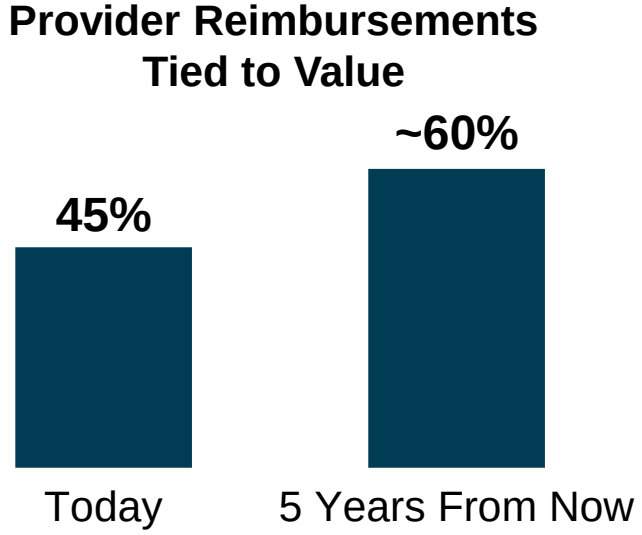
6	Growing Role of Digital

Movement Towards Value-Based Care Creates Need for New Cost Management Solutions



Despite the anticipated shift of reimbursement to value-based payments, only **26%** of providers are currently meeting their goals to lower health care costs

Expectation is that value-based care will be key determinant of success

Refer to endnotes for additional information.

Multitude of Ways We Provide Cost-Effective Care

Pharmacy Care	Unique integrated programs, 90-day programs, formulary designs and value-based contracting
MinuteClinic	Providing health care services, including wellness and chronic care support
Infusion	Home or alternate-site infusion services can dramatically lower costs
Care Transitions	Avoiding costly hospital readmissions by preventing lapses in adherence
Med D Star Ratings	Driving Med D Star ratings through clinical capabilities
Clinical Programs	Powered by Health Engagement Engine and brought to life through face-to-face interactions

We See Compelling Opportunities in a Robust Health Care Market

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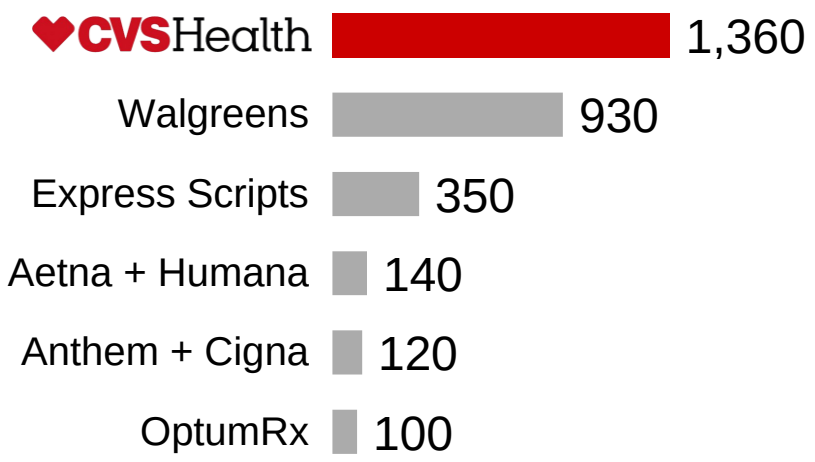
Unsurpassed Procurement Scale Through Enterprise Dispensing Volume

2016 Estimated Rx Volume

(Rx dispensed, millions)



CVS Health Advantages

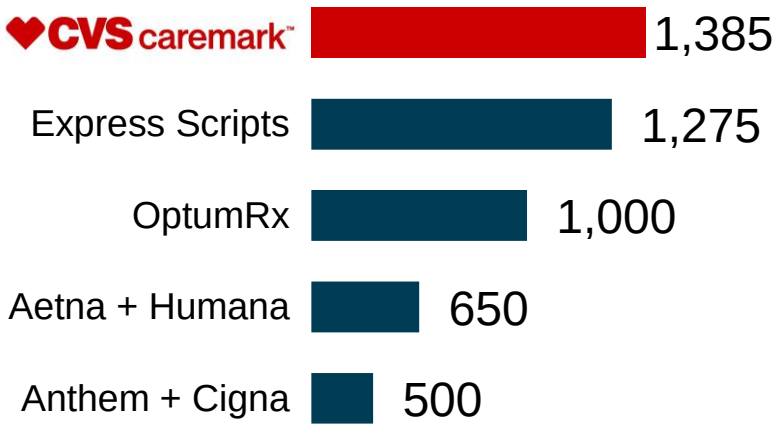
- Unsurpassed scale and expertise allows us to be an efficient purchaser of pharmaceuticals
- Procurement scale further enhanced by Red Oak Sourcing

Refer to endnotes for additional information.

Ability to Aggregate Claims Volume Creates Value for Clients

2016 Estimated Claims Volume

(Rx managed, millions)



CVS Health Advantages

- Managed claims volume supports negotiations for:
  - Rebates
  - Price protection
  - Formulary placement
- More than 90% of rebates overall are passed back to clients
- Competition in drug classes allows us to utilize scale more effectively

Refer to endnotes for additional information.

We See Compelling Opportunities in a Robust Health Care Market

1	Focus on Trend Management
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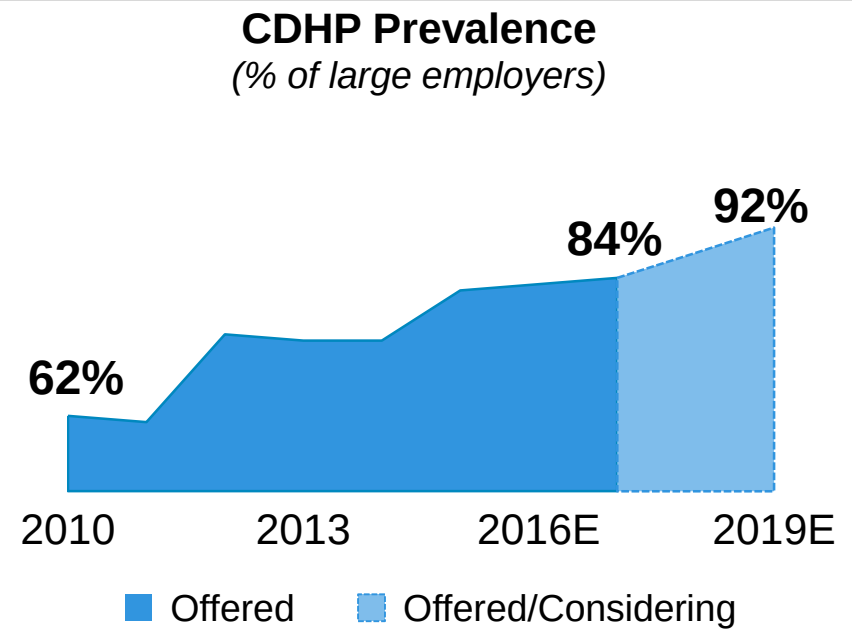
Consumer-Directed Health Plans Gaining Traction



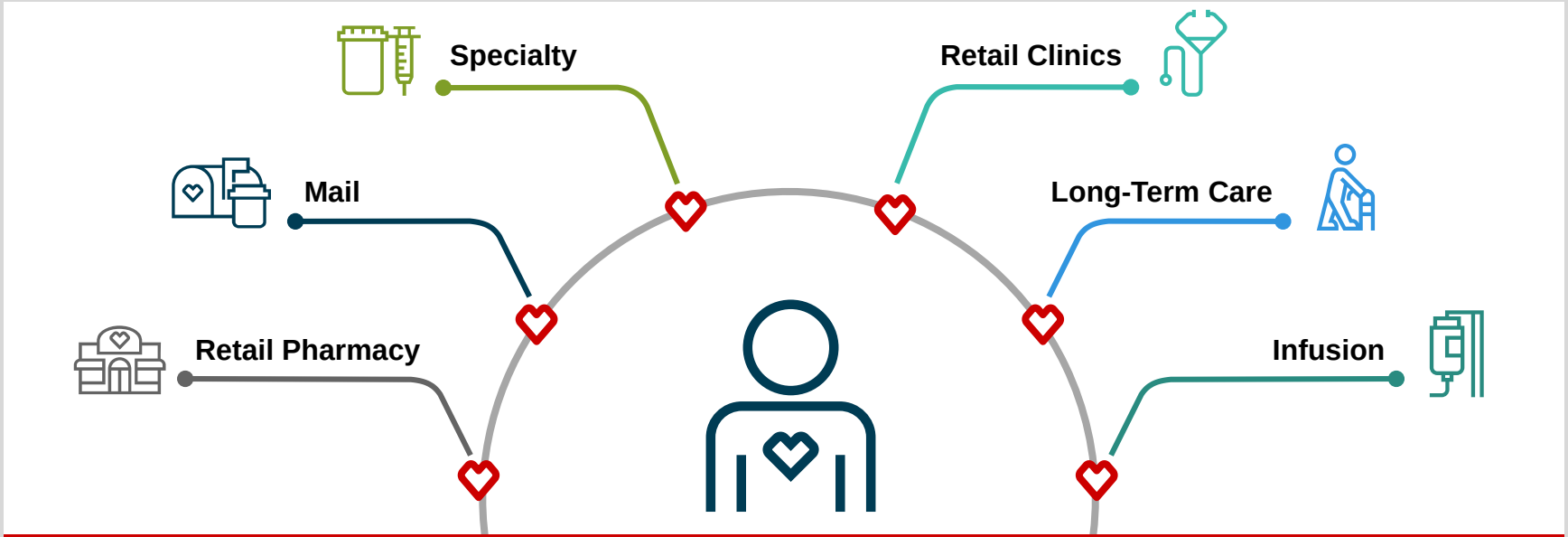
Drivers of Trend

- Employers looking to better control rising health care costs
- Health insurance shoppers on public exchanges choosing CDHPs
- Seek new, trusted health care advisors

As member cost burden increases, mindset shifting from patient to consumer

Refer to endnotes for additional information.

We Own the Last Mile of Care Through Our Unmatched Patient Touchpoints



No matter the road, we can shape behavior and drive outcomes

We See Compelling Opportunities in a Robust Health Care Market

1	Focus on Trend Management
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CVS Health Digital Strategy Focused on Three Pillars

Adoption

- Attract new users
- Increase engagement of active digital users

Integrated CVS Health Experience

- Core pharmacy
- Specialty
- Long-term care
- Omnichannel front store
- MinuteClinic

Ongoing Innovation

- Mobile engagement
- Data & personalization
- Digital health

Enhance customer experience, drive loyalty and improve outcomes

Agenda

Our Value Proposition Has Never Been Stronger

We See Compelling Opportunities in a Robust Health Care Market

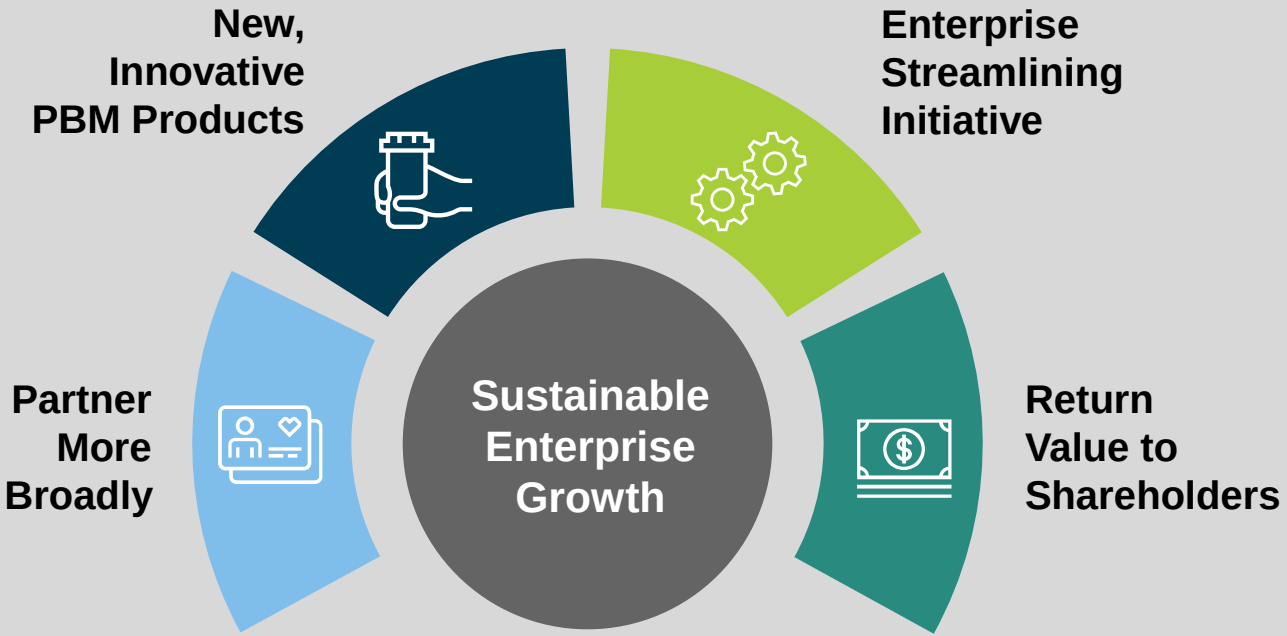
How We'll Drive Long-Term Enterprise Growth

Our Strategic Business Imperatives



Actions to achieve growth may change, strategic imperatives remain

Actions to Capitalize on Market Dynamics



Actions to Capitalize on Market Dynamics

Partner More Broadly

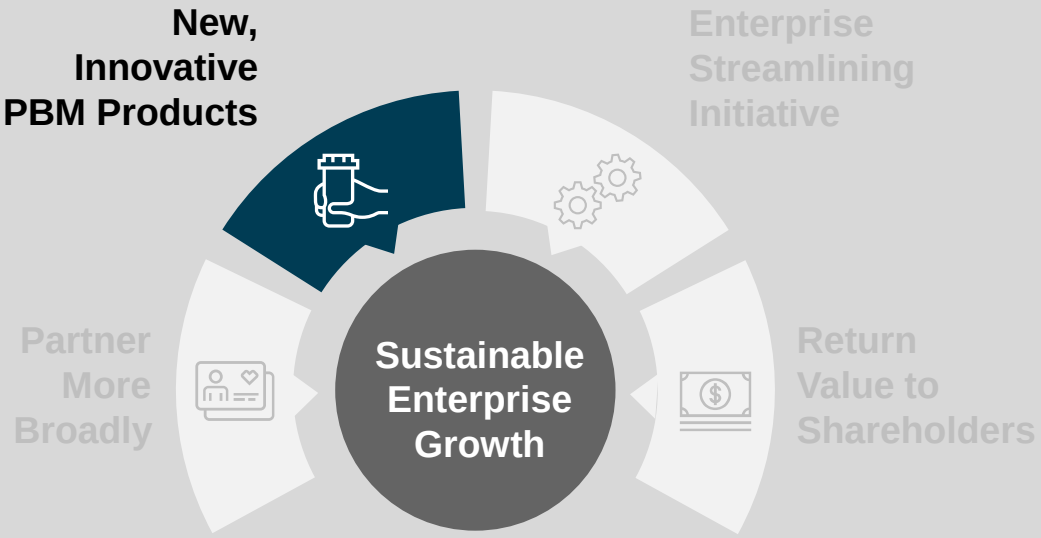


Key Actions

- Utilize full suite of enterprise capabilities to enhance CVS Pharmacy value proposition
  - Bundled service offerings
  - Will make us partner of choice
- Clinical capabilities a competitive edge in value-based care
- New strategic relationship with Optum

Actions to Capitalize on Market Dynamics

New, Innovative PBM Products



Key Actions

- Clinical solutions to support all stages of care
- Value-based contracting approaches
- New retail network strategies, including performance-based networks
- Maintenance Choice 3.0
- Ongoing innovations

Actions to Capitalize on Market Dynamics

Enterprise Streamlining Initiative



Key Actions

- Further improve productivity to solidify low cost provider status
- Three broad areas of focus:
  - Store rationalization
  - Enhance efficiency of corporate shared services
  - Optimize pharmacy delivery platform
- Expect to generate nearly $3 billion in cumulative savings by 2021

Actions to Capitalize on Market Dynamics

Return Value to Shareholders

New, Innovative PBM Products

Enterprise Streamlining Initiative



Partner More Broadly

Return Value to Shareholders

Key Actions

- Optimize use of capital to drive shareholder returns
- Continue to evaluate strategic opportunities to drive long-term growth
- Annual dividend increases
- Share repurchases

Today's Key Takeaways

Driving More Affordable, Accessible and Effective Care

Driving Outcomes and Savings	In an era of rising costs, we are the optimal partner to deliver savings and help improve outcomes for health care stakeholders
Providing the Front Door and the Last Mile	Pharmacy has the highest frequency of interaction, and our unmatched patient touchpoints across the enterprise help shape behavior
Best Partner for PBMs and Health Plans	We can partner with all PBMs and health plans, leveraging our enterprise assets and capabilities to meet their individual needs
Integrated Pharmacy Care	Our exclusive programs are seamlessly integrated through our Health Engagement Engine, providing better member experience and results
Positioned for L-T Enterprise Growth	Maximize shareholder value with an enterprise mindset; generate strong cash flow and employ a disciplined approach to capital allocation

Delivering Value for All Health Care Stakeholders

Endnotes

Slide 9

1. As of December 2, 2016.
2. Gross new business revenues exclude Medicare Part D SilverScript individual products.
3. Client retention rate is defined as: 1 less (estimated lost revenues from any known terminations in that selling season year plus annualization of any mid-year terminations, divided by estimated PBM revenues for that selling season year) expressed as a percentage. Both terminations and PBM revenues exclude Medicare Part D SilverScript individual products.

Slide 10

1. Enterprise dispensed Rx include prescriptions filled at CVS Pharmacy, mail order and specialty prescriptions filled at CVS Caremark, and prescriptions filled by our long-term care pharmacies.
2. All dispensed CVS retail and mail prescriptions include the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.
3. Source: CVS Health internal analysis.

Slide 13

1. Source: CMS, National Health Expenditure Projections (figures as of July 14, 2016).

Slide 14

1. Source: National Business Group on Health, 2017 Large Employers' Health Plan Design Survey, Figure 11.

Endnotes

Slide 15

1. Source: CVS Health internal data analysis.
2. Utilization trend based on internal commercial cohort (Health Plans and Employers).
3. Trend is reported net of rebates.

Slide 16

1. Source: IMS Institute for Healthcare Informatics, Medicines Use and Spending in the U.S., Chart 3.

Slide 18

1. Source: McKinsey proprietary research.
2. Includes Medicare, Medicaid, and other federal, state programs (e.g. Children's Health Insurance Program, Department of Veterans Affairs, Department of Defense).

Slide 19

1. Source: CMS, National Health Expenditure Projections, Table 17: Health Insurance Enrollment and Enrollment Growth Rates, Calendar Years, 2009-2025 (figures as of July 14, 2016).

Slide 20

1. Source: CMS, National Health Expenditure Projections, Table 17: Health Insurance Enrollment and Enrollment Growth Rates, Calendar Years, 2009-2025 (figures as of July 14, 2016).
2. Source: CMS (membership figures as of October 7, 2016).

Slide 22

1. Source: McKesson, Journey to Value: The State of Value-Based Reimbursement in 2016, Figure 8.
2. Reimbursements tied to a value-based payment arrangement based on providers who use other models than 100% fee-for-service only.

Endnotes

Slide 25

1. Enterprise dispensed Rx include prescriptions filled at CVS Pharmacy, mail order and specialty prescriptions filled at CVS Caremark, and prescriptions filled by our long-term care pharmacies.
2. All dispensed CVS retail and mail prescriptions include the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.
3. Source: CVS Health internal data analysis.

Slide 26

1. Source: CVS Health internal data analysis.
2. CVS Caremark claims represent midpoint of guidance range.
3. Estimated managed claims include all CVS Caremark network claims plus specialty and adjusted mail claims.
4. All managed CVS Caremark mail prescriptions include the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.

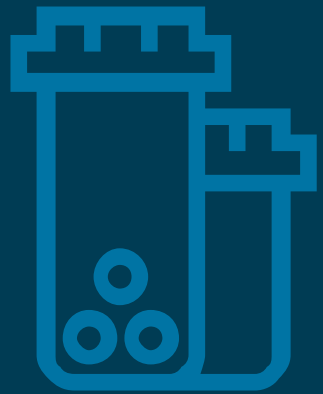
Slide 28

1. Source: National Business Group on Health, 2017 Large Employers' Health Plan Design Survey, Figure 5.

Meeting the Health Care Challenges of Tomorrow

Jon Roberts
Executive Vice President &
President, CVS Caremark

CVS Health



Agenda

PBMs: Needed Now More Than Ever

Performance Highlights

How We Address Payors' #1 Priority: Reducing Cost

Integrated Where It Matters

Innovating for the Future

Challenged by Evolving Market Dynamics, Payors Look for More From a PBM

Rising Drug Costs

Drug price inflation and high launch prices continue to drive trend and spend

Size and scale remain key for negotiating strength



Increasing Consumerism

Higher cost share for consumers

Complex drug regimens are engagement challenges



Movement to Value-Based Care

Incentives for quality driving change

Focus on quantifiable improvement of outcomes



Evolving Role of Government

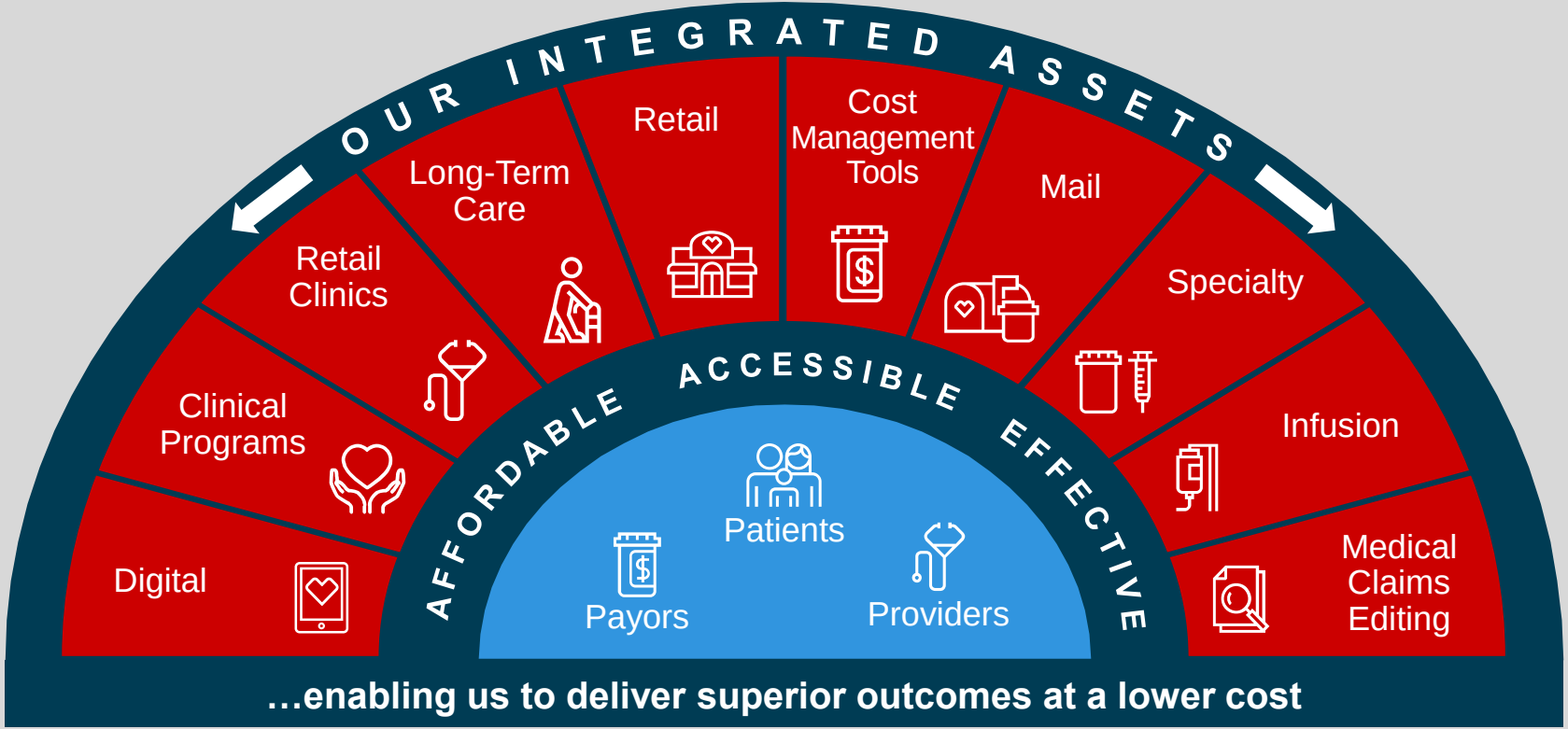
Growing enrollment in government programs

Challenging regulatory environment

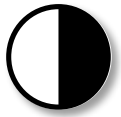
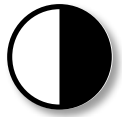
Increased focus on clinical outcomes



The Most Extensive Suite of Leading Assets…



Our Integrated Model Positions Us as the PBM of Choice

	CVS Health	Integrated PBM / Health Plan	Standalone PBM
Purchasing Scale			
Actionable Clinical Information			
Integrated Where It Matters			
Consumer Touchpoints			

Agenda

PBMs: Needed Now More Than Ever

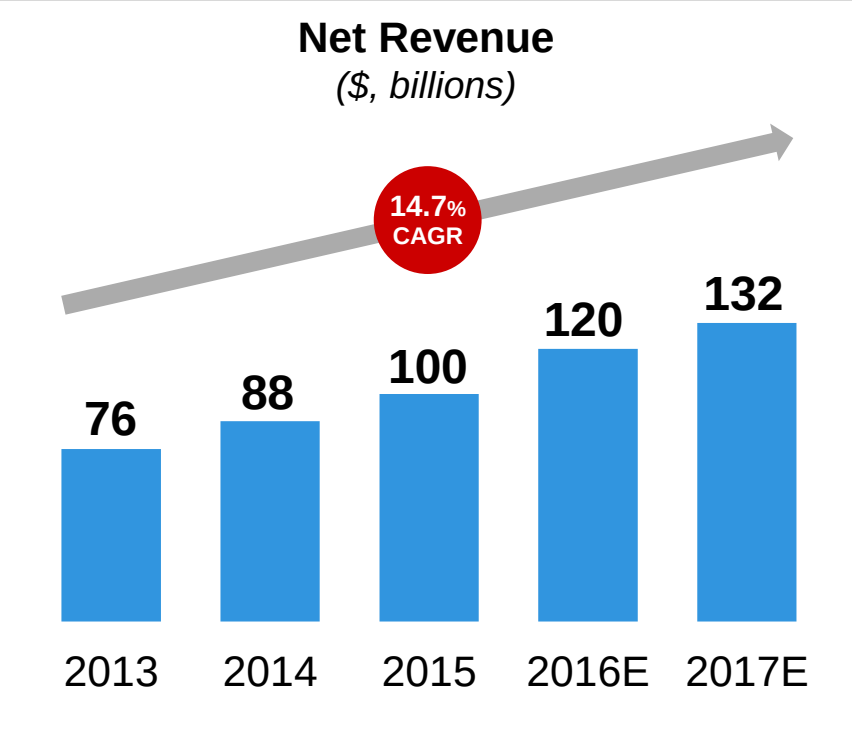
Performance Highlights

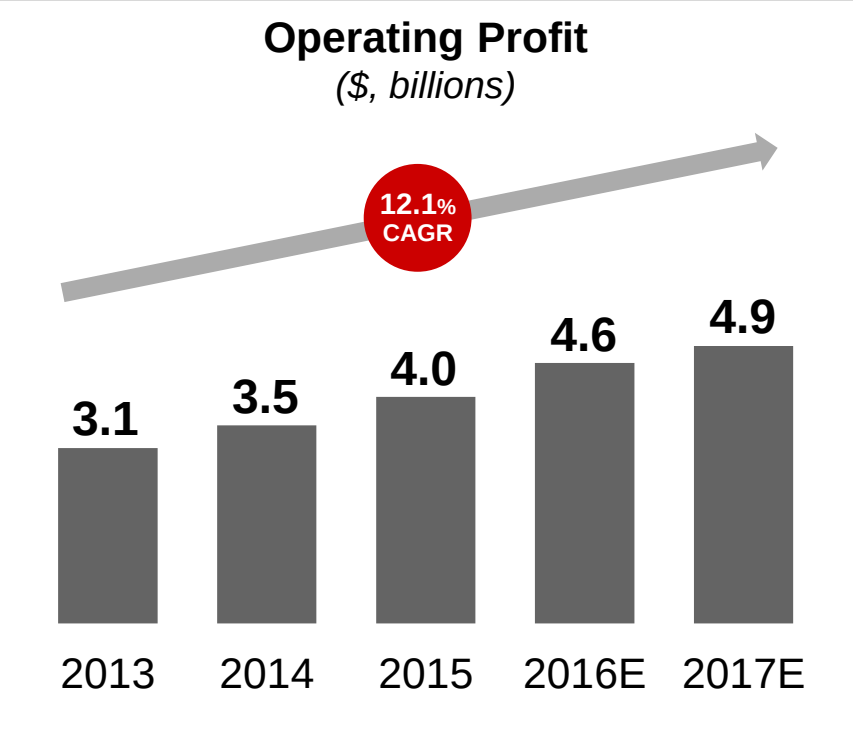
How We Address Payors' #1 Priority: Reducing Cost

Integrated Where It Matters

Innovating for the Future

Continued Strong PBM Performance





Refer to endnotes for additional information.

2017: Another Outstanding Selling Season

LEADING THE MARKET IN SALES

CVS Health won

>50%

of revenue from clients changing PBMs

CVS Health achieved

~97%

client retention

Refer to endnotes for additional information.

2017: Another Outstanding Selling Season

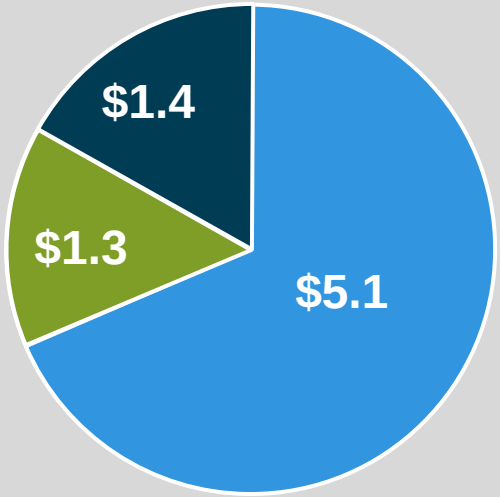
Employer

Lenovo
Capgemini
CONSULTING.TECHNOLOGY.OUTSOURCING
PEARSON Education

Government & Union

Westchestergov.com
WEST VIRGINIA PEIA PUBLIC EMPLOYEES INSURANCE AGENCY
BUCKS AND MONTGOMERY COUNTY SCHOOLS HEALTH CARE CONSORTIUM

$7.8 Billion



Sales
(billions)

Health Plan

Physicians Health Plan
Gateway Health
A better way.℠

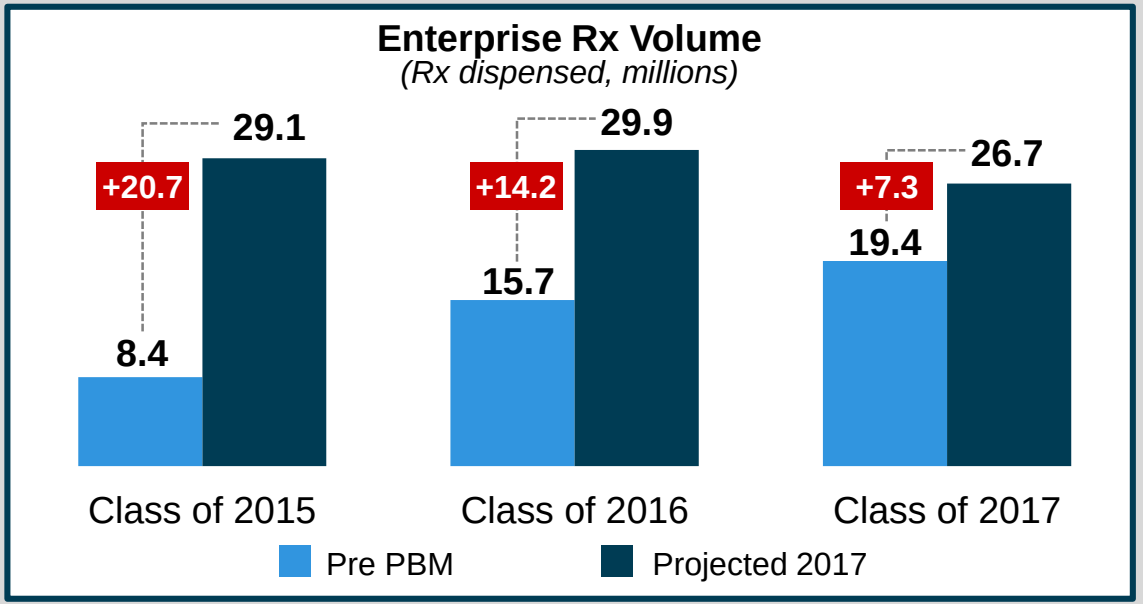
Net new business of $4.3 billion

Refer to endnotes for additional information.

New Business Provides Platform to Grow Enterprise Dispensing

Last 3 Years

New business	**$31B**
Rxs for enterprise	**42M**



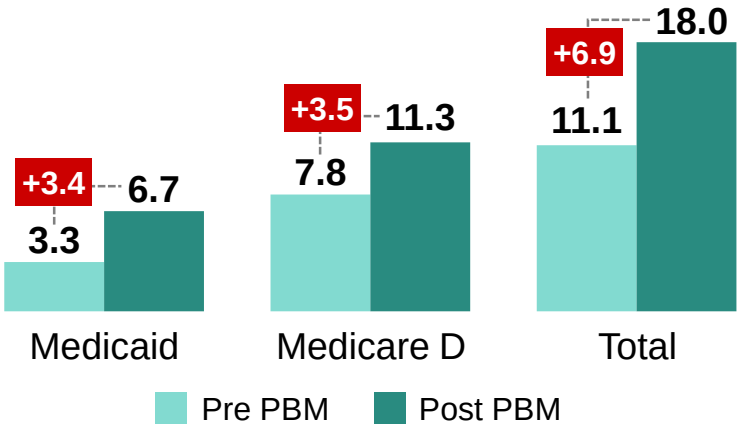
The longer we serve a client, the more we grow enterprise dispensing

Refer to endnotes for additional information.

Our Record of Success in Building Prescription Volume With Health Plans

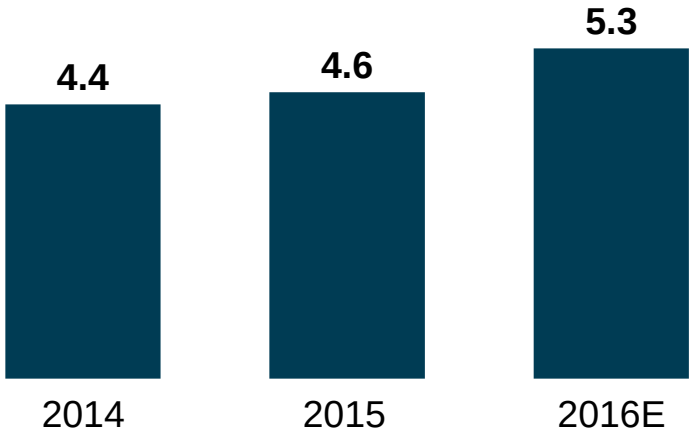
New Health Plan Client

Enterprise Rx Volume
(Rx dispensed, millions)



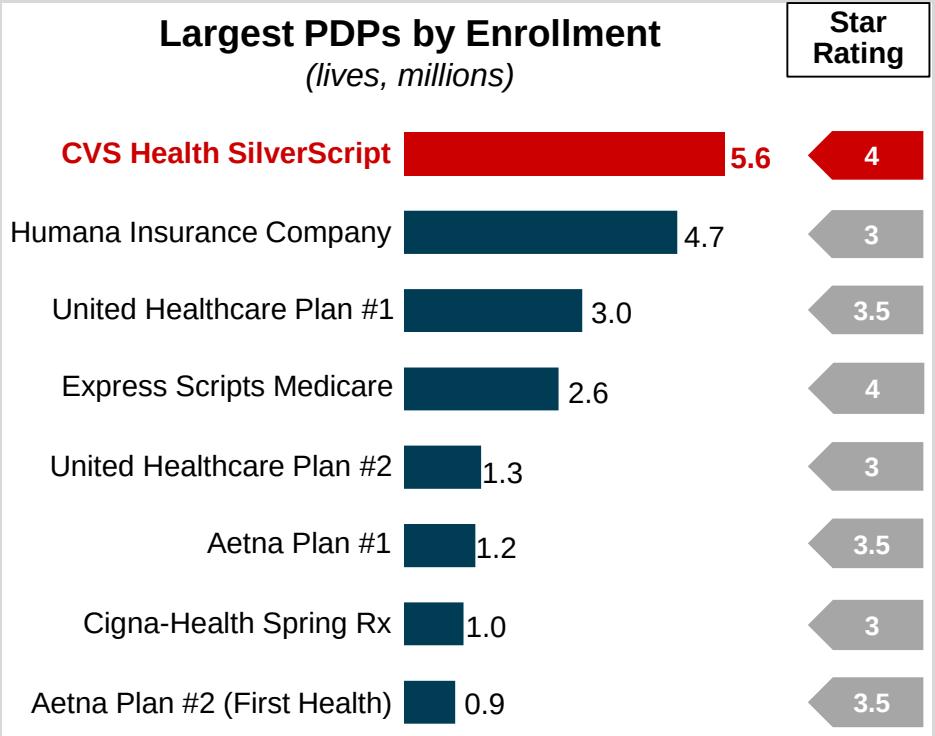
Multi-Year Health Plan Client

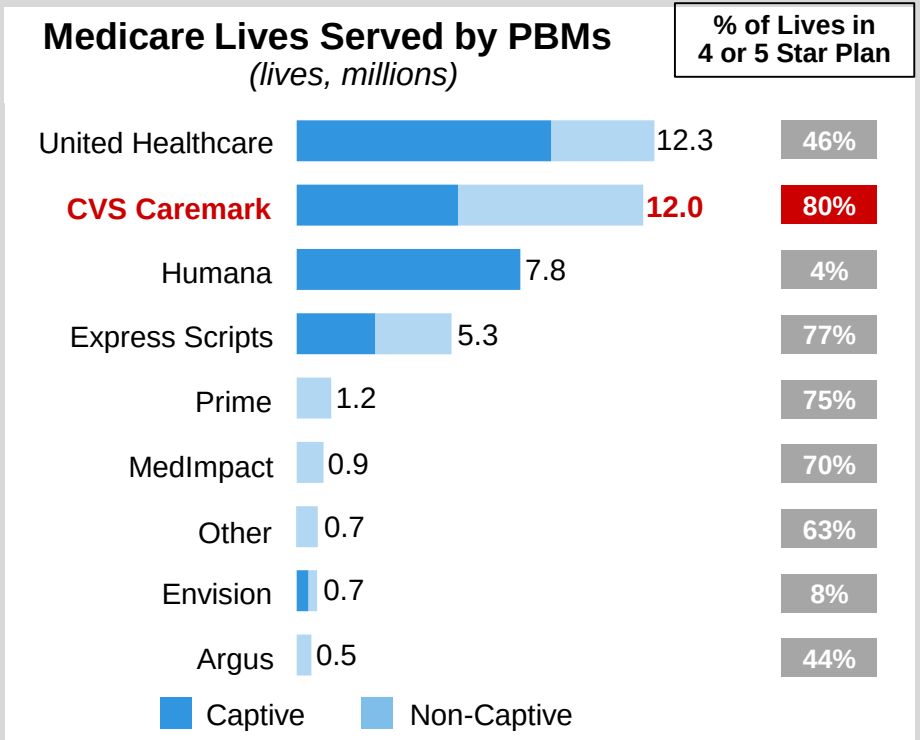
Enterprise Rx Volume
(Rx dispensed, millions)



Refer to endnotes for additional information.

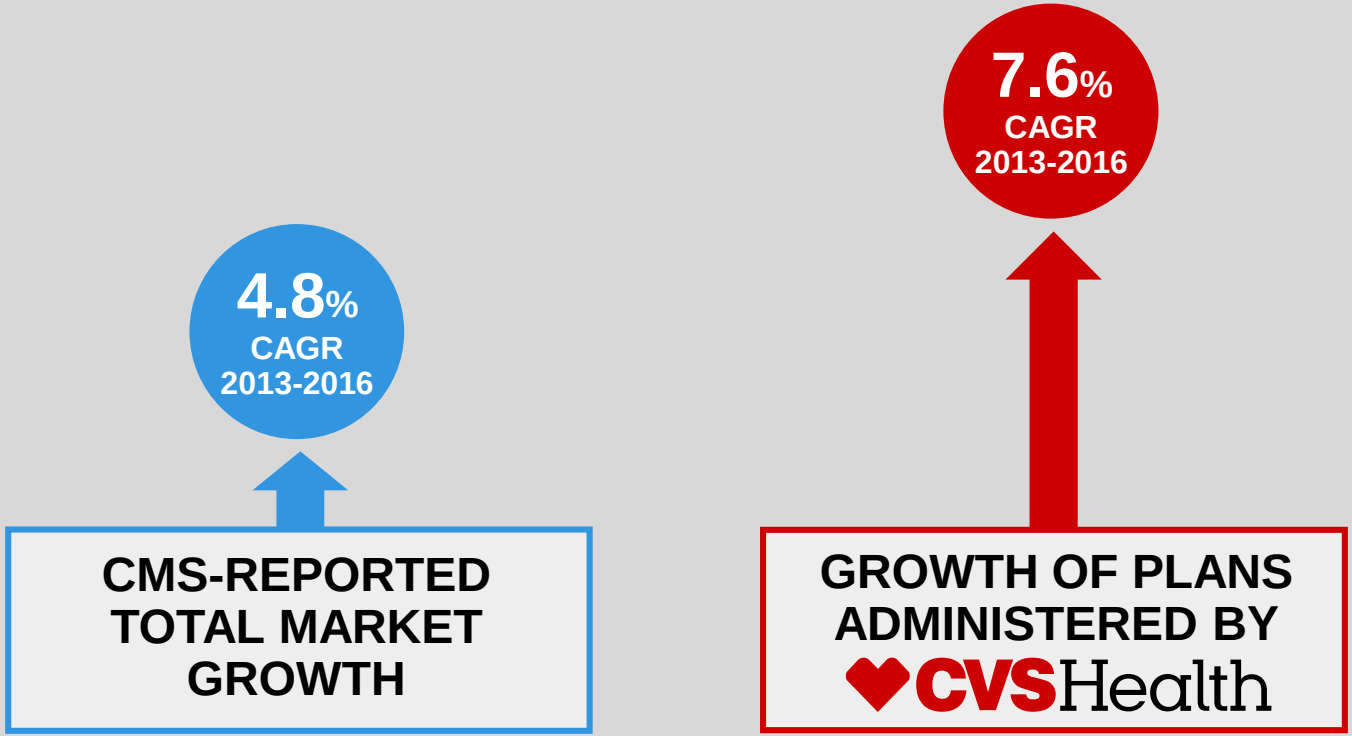
Leading in Medicare by Delivering Service and Quality





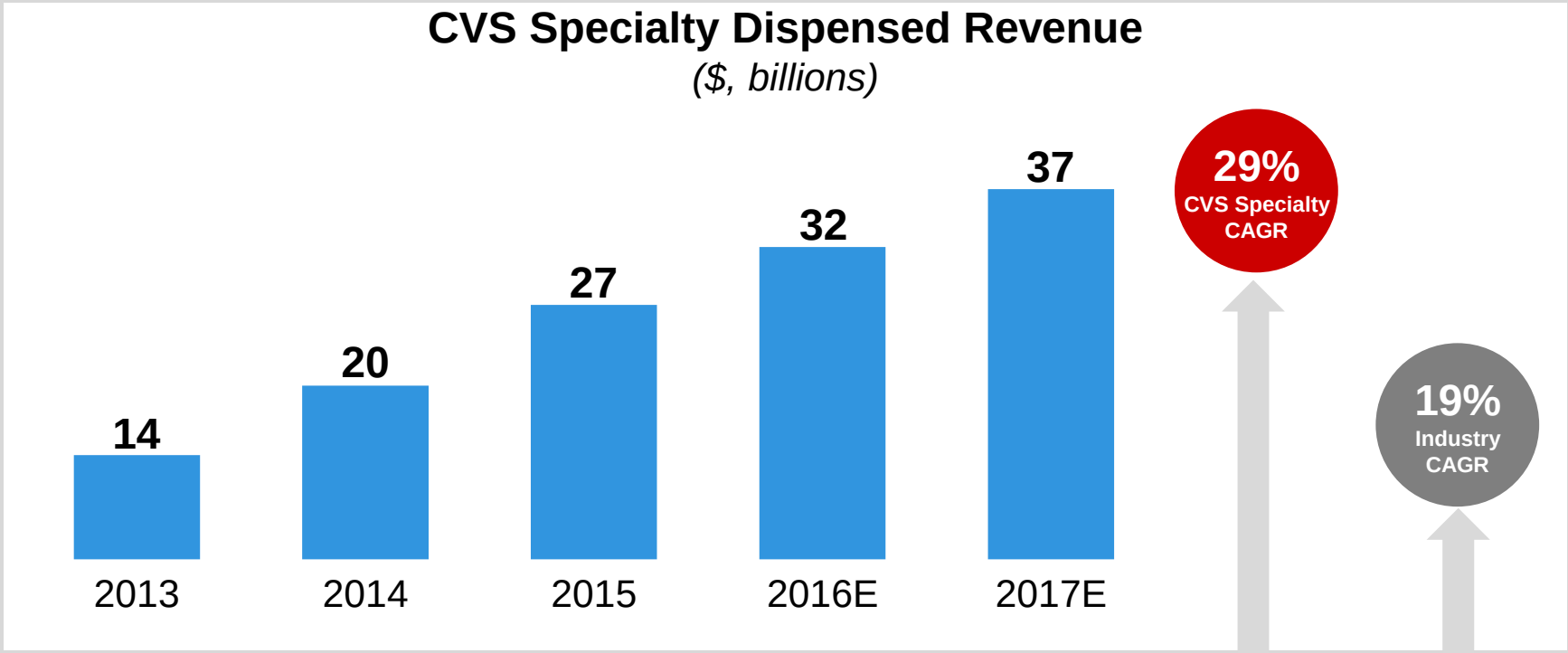
Refer to endnotes for additional information.

Helping Our Health Plan Clients Grow Their Medicare Business



Refer to endnotes for additional information.

Specialty Growth Continues to Outpace the Market



Refer to endnotes for additional information.

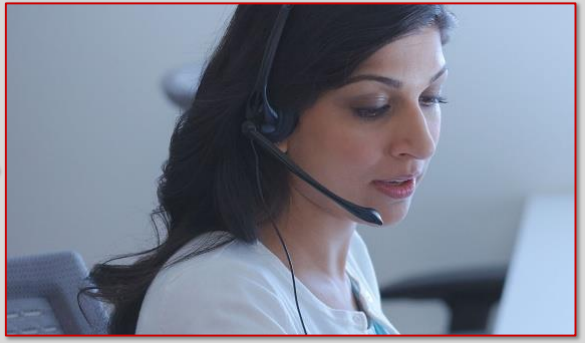
Delivering High Levels of Client and Member Service Continuously – Top 2 Box Satisfaction Scores

96% **2016 Client Satisfaction**

2016 Member Satisfaction **94%**



Client and member online surveys



Tracking performance to drive continuous improvement



Client and member call analytics

9.1 million members across 275 clients successfully implemented 1/1/2016

Refer to endnotes for additional information.

Agenda

PBMs: Needed Now More Than Ever

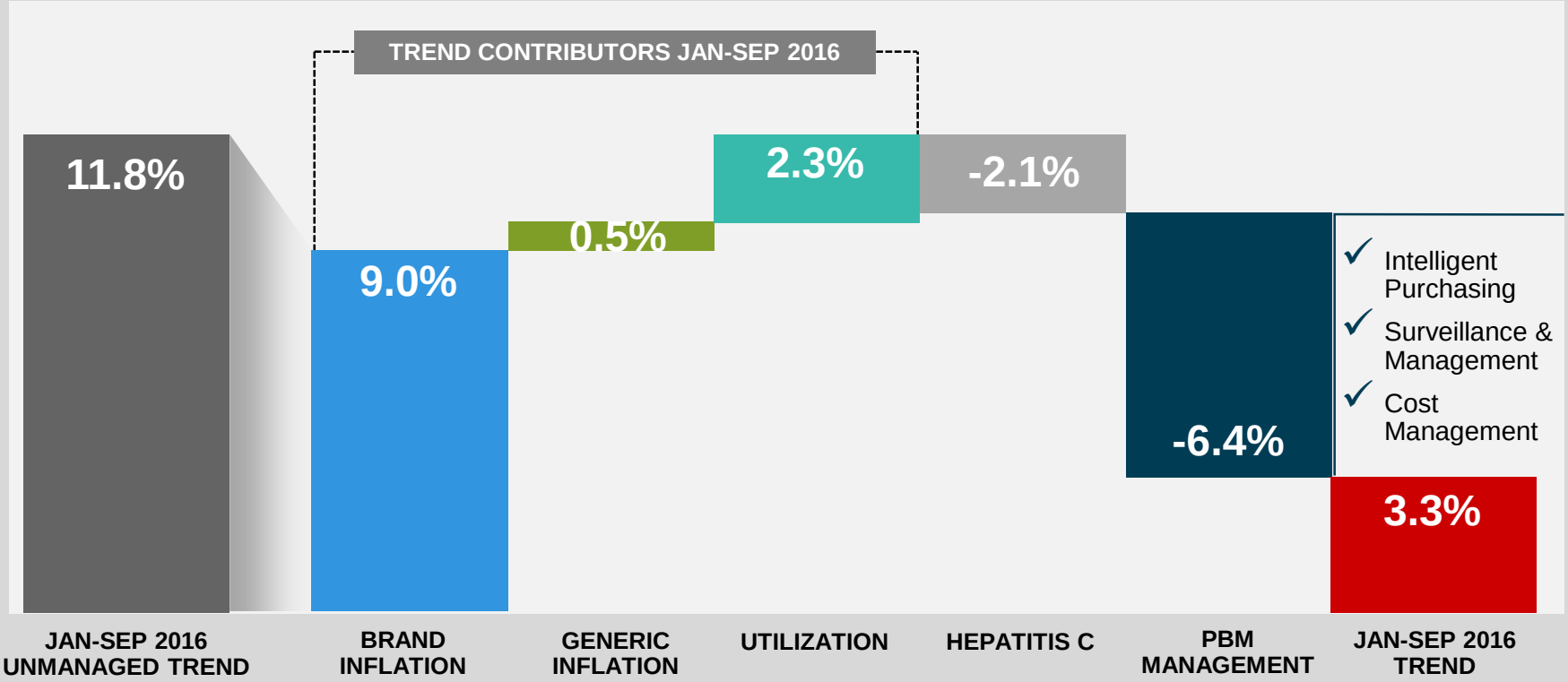
Performance Highlights

How We Address Payors' #1 Priority: Reducing Cost

Integrated Where It Matters

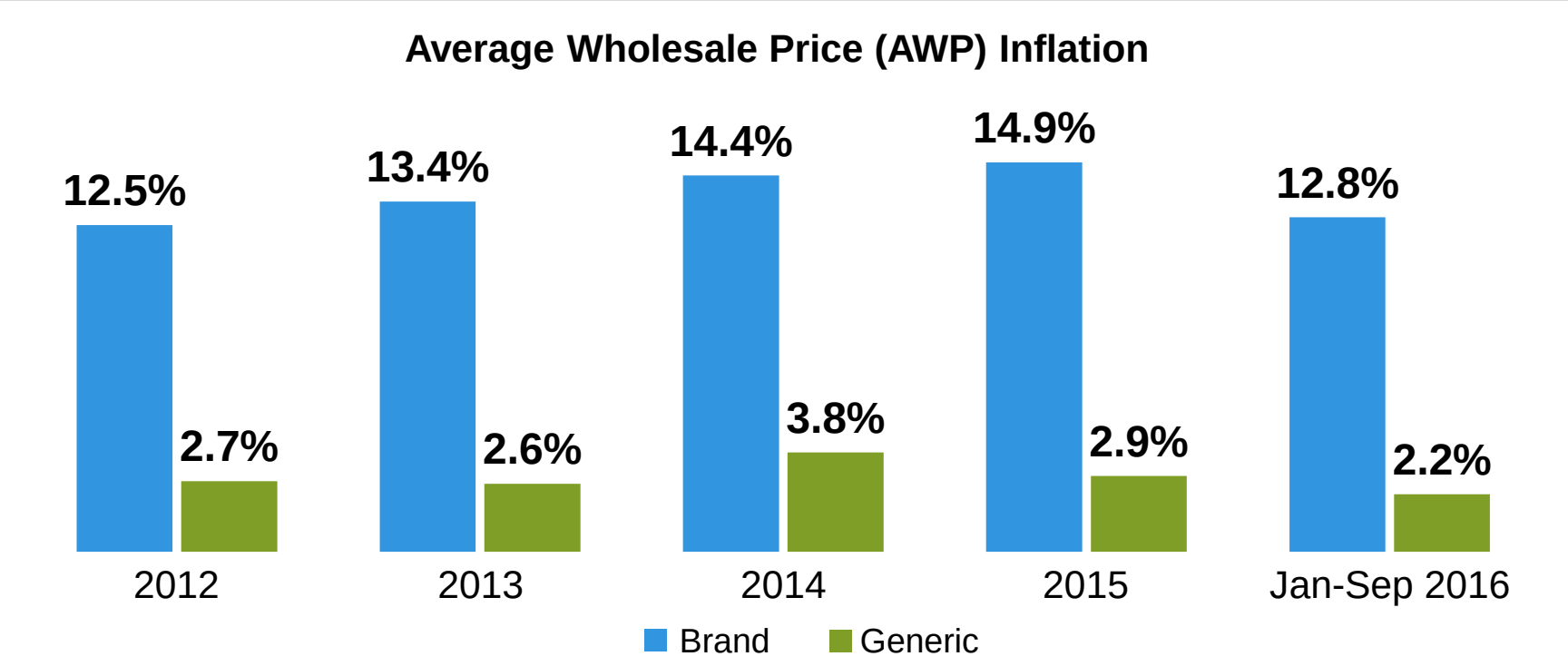
Innovating for the Future

Despite Market Forces, We Helped Our Clients Cut Trend



Refer to endnotes for additional information.

Brand Price Inflation Drives Trend



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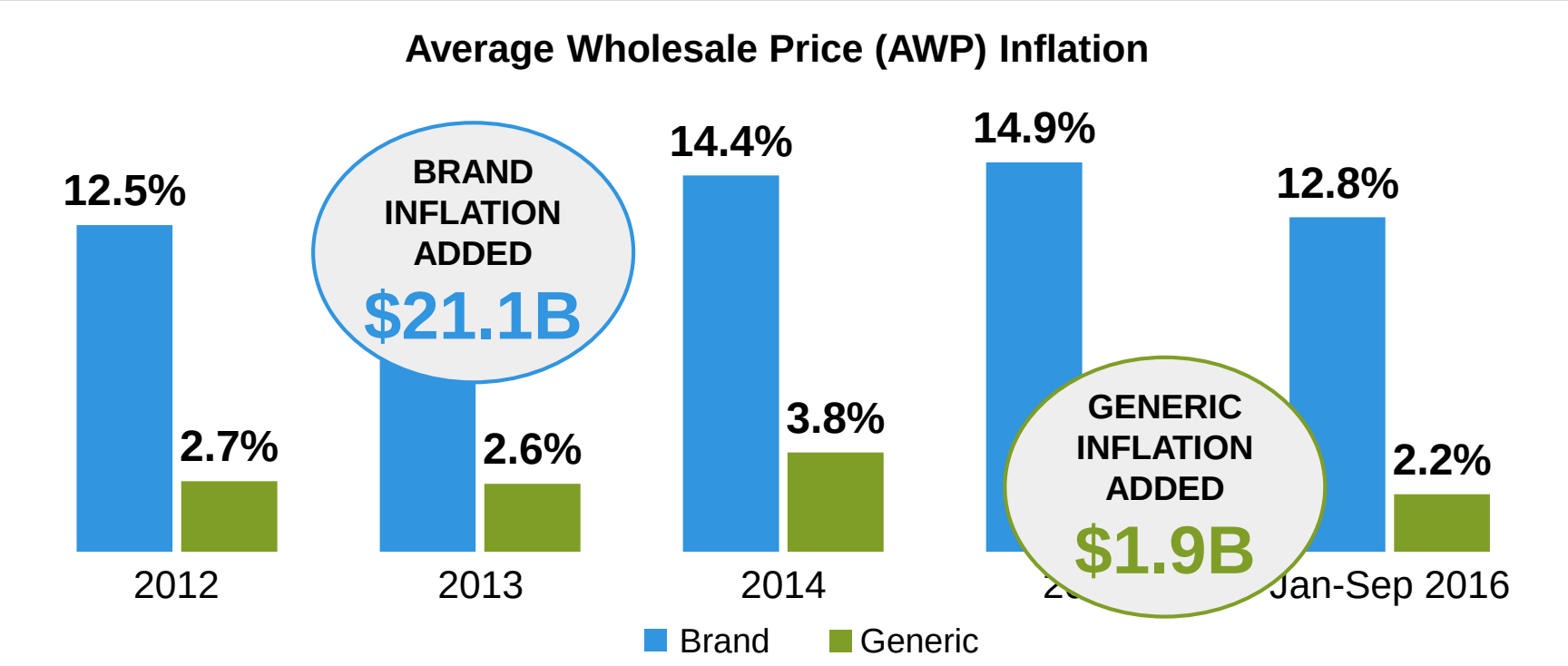
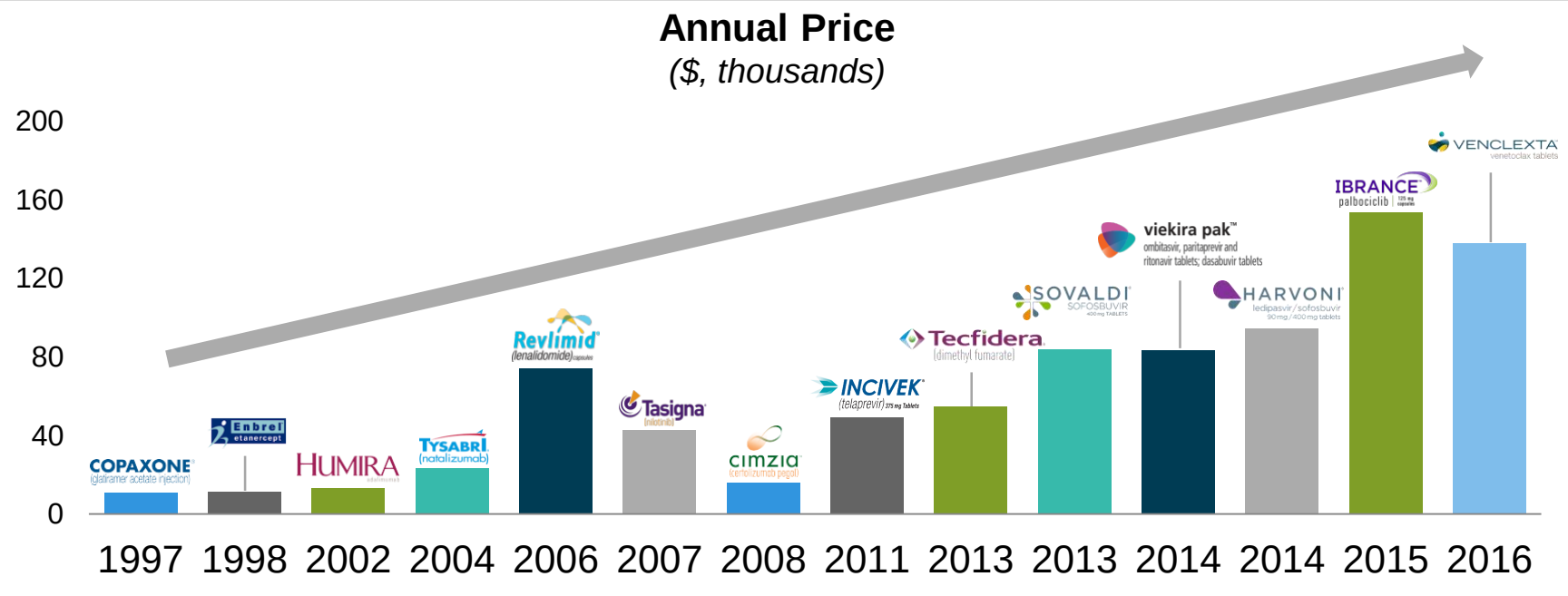
Brand Price Inflation Drives Trend



Refer to endnotes for additional information.

Higher Launch Prices Contribute to Rising Specialty Spend



Refer to endnotes for additional information.

Aging Population, New Drugs Lead to Increased Utilization in Specialty

Aging Population

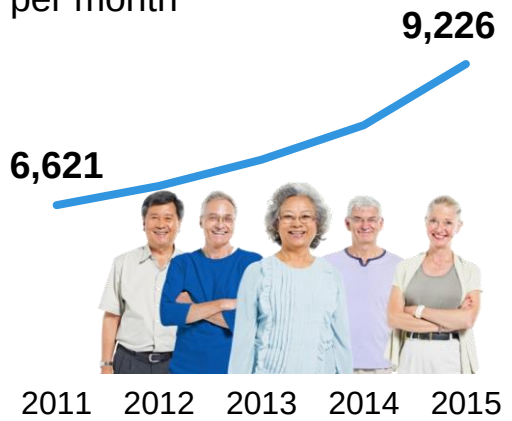
10,000 Americans will turn 65 every day until 2030

New Drugs

> 200 new drugs expected to launch between 2016-2018

Utilization Trend

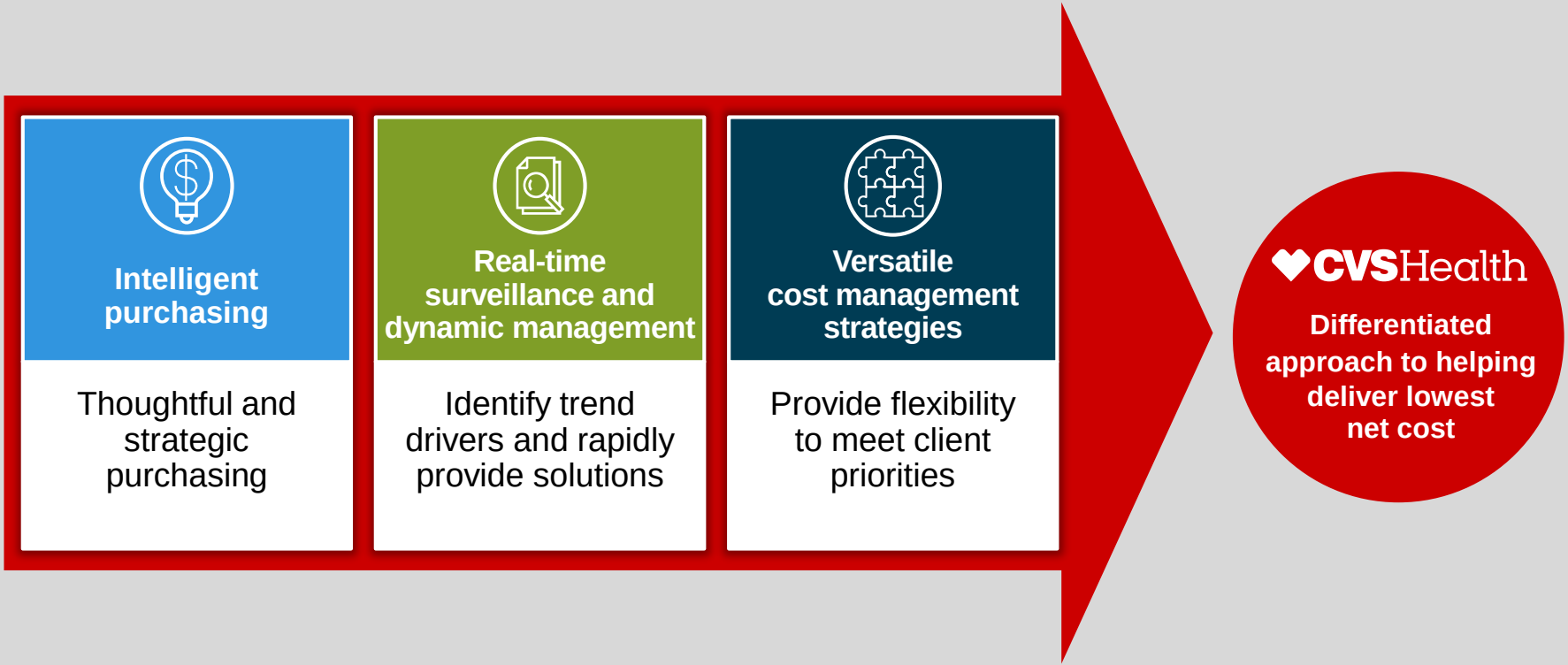
Rx per million plan members per month



By 2020, specialty drugs are expected to account for 55% of drug spend

Refer to endnotes for additional information.

Winning With Payors: Our Differentiated Three-Pronged Approach to Reducing Costs



Intelligent Purchasing: Foundational to Helping Deliver Lowest Net Cost

Strategic Assessment



Pipeline



Market



Competition

Actions



Right opportunities

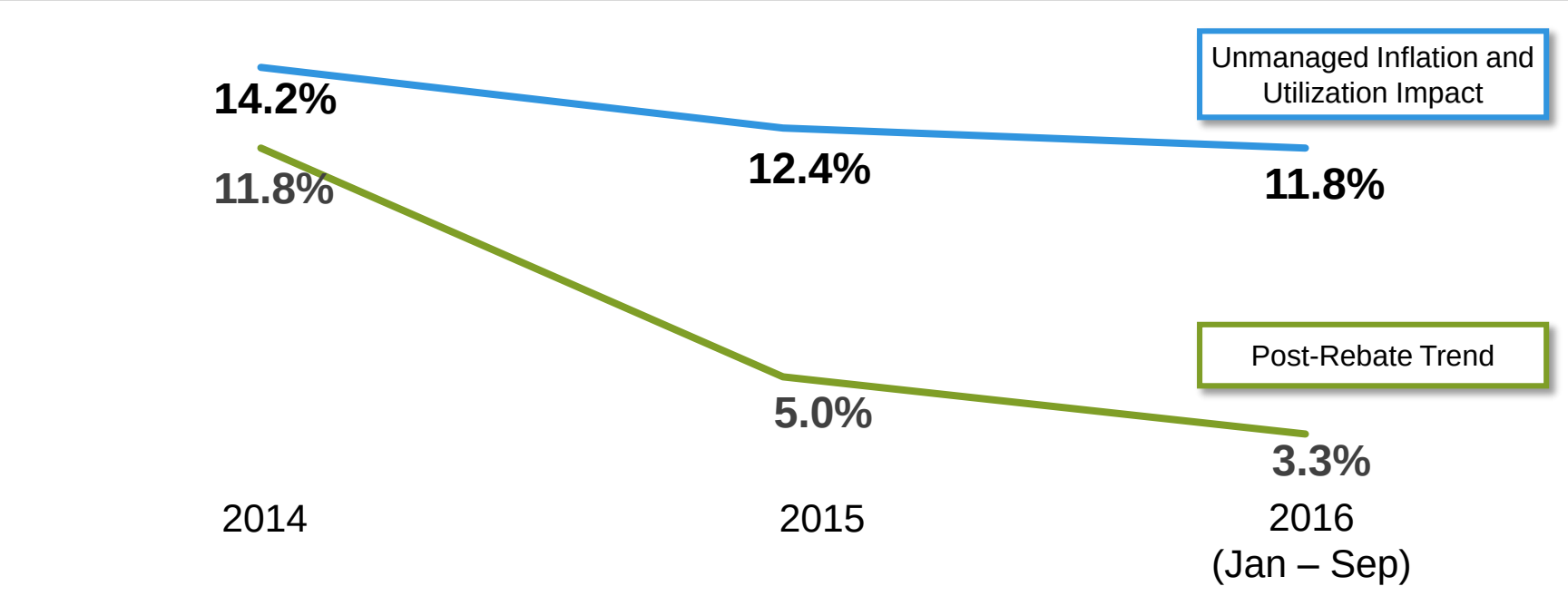


Negotiate from strength

Unmatched Negotiation Capabilities

Low-cost generics through Red Oak Sourcing venture	Brand inflation addressed by price protection	Significant reduction in pharmacy spend (2012-2017)
#1 generic sourcing entity in the U.S.	Across more than **90%** of our contracts	**$9 Billion** client savings driven by managed formularies

Intelligent Purchasing Dramatically Reduces Impact of Utilization and Drug Price Inflation

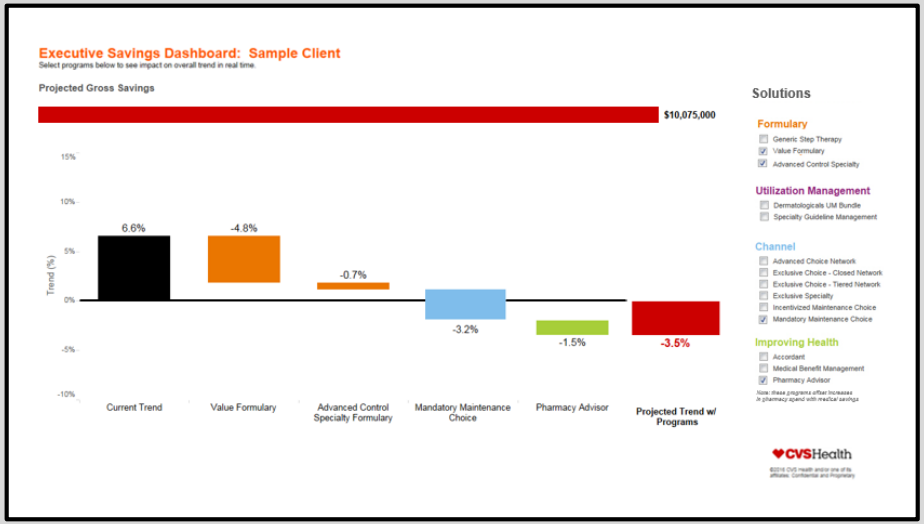


Refer to endnotes for additional information.

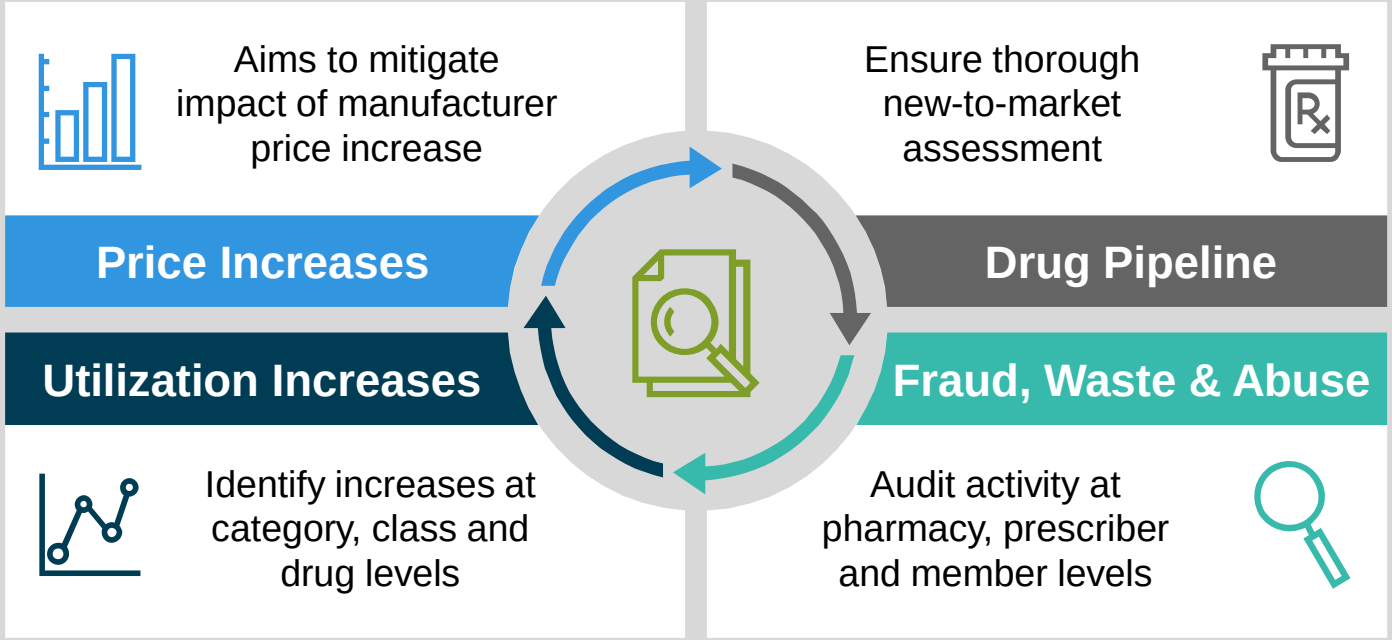
Real-Time Surveillance & Dynamic Management: to Stay Ahead of Market Volatility

Interactive RxInsights®

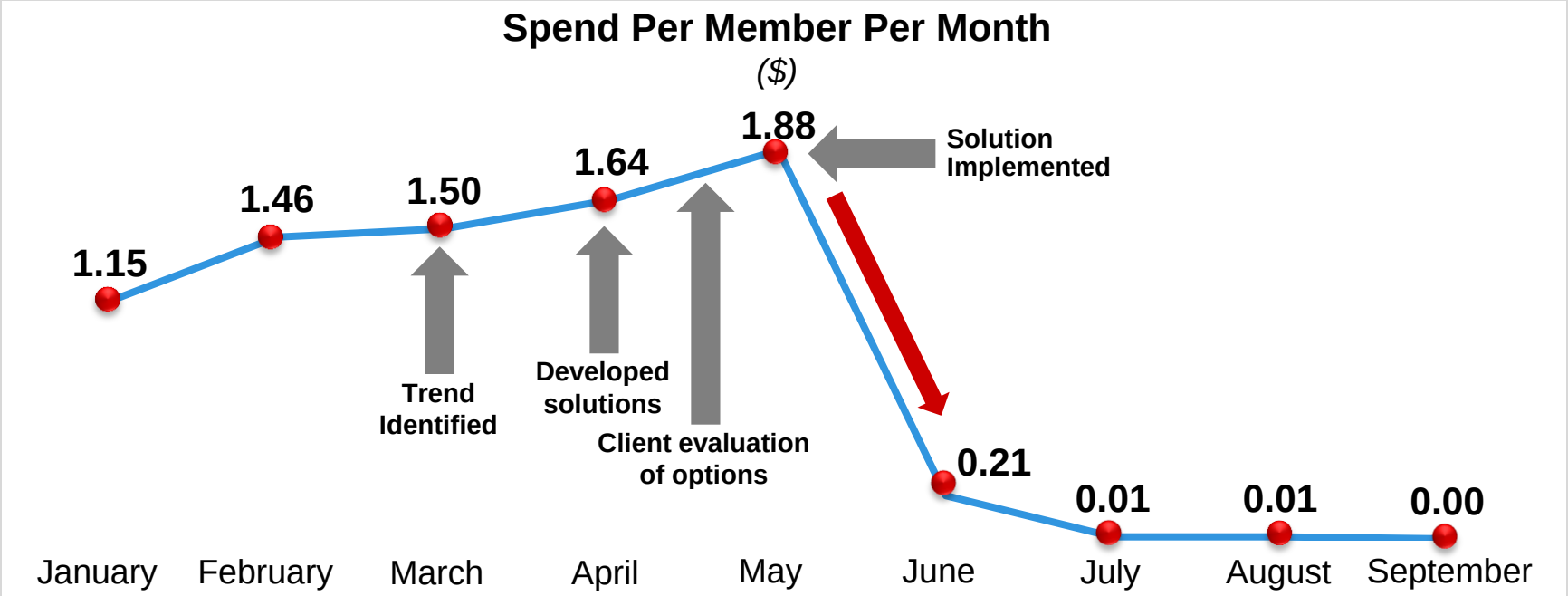




Real-Time Surveillance & Dynamic Management: to Stay Ahead of Market Volatility



Case Study: Dynamic Management Solution Cut Lidocaine Spend Dramatically in Weeks



Core Safety and Monitoring Programs Save Clients $100 Million

How the PBM Fights Prescription Drug Abuse

Claims review to identify suspect behavior – such as use of multiple pharmacies or prescribers

+

System generates risk score, which is reviewed by pharmacist

+

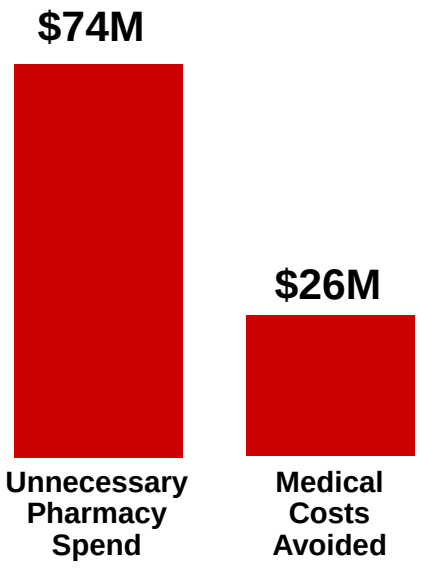
Intervene directly with prescriber and member when appropriate

+

Collaborate with law enforcement

=

$100 Million Savings



Refer to endnotes for additional information.

Versatile Cost Management Strategies Address Client Priorities Across All Lines of Business

Network Optimization
– incremental savings
up to **4%** savings

Targeted Strategies
– to identify specific trend drivers
up to **13%** savings

Foundational Approaches
– promote utilization of lower-cost therapy
up to **8%** savings

Refer to endnotes for additional information.

Continuing to Lead the Market in Formulary Innovation

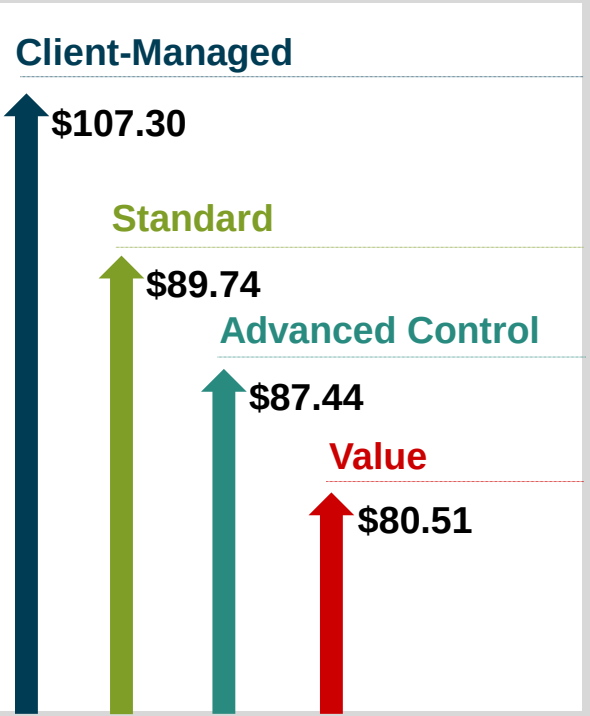
2012 Formulary Removals

2015 New-To-Market Evaluations

2016 Specialty Class Review

2017
- Biosimilar Preference
- Hyperinflation Management
- Indication-Based Formulary

Our managed formulary options help drive lower PMPM costs



Refer to endnotes for additional information.

Product Adoption and Runway

	Current Lives	Total Lives Opportunity	Savings
MAINTENANCE CHOICE	25 million	46 million	Up to 4%
TOTAL NETWORK STRATEGIES	37 million	86 million	Up to 4%
FORMULARY STRATEGIES	27 million	55 million	Up to 8%
EXCLUSIVE SPECIALTY	41 million	60 million	Up to 10%
SPECIALTY MEDICAL MANAGEMENT	14 million	51 million	Up to 13%

Refer to endnotes for additional information.

In Rapidly Evolving Market, Cost Management Demands More From a PBM



CVSHealth

DIFFERENTIATED APPROACH TO HELPING DELIVER LOWEST NET COST

Agenda

PBMs: Needed Now More Than Ever

Performance Highlights

How We Address Payors' #1 Priority: Reducing Cost

Integrated Where It Matters

Innovating for the Future

The Complex Challenges of Population Health

Managing specialty conditions



5%
OF POPULATION ACCOUNTS FOR MORE THAN ONE-THIRD OF ALL HEALTH CARE COSTS

3 out of 4
SENIORS HAVE TWO OR MORE CHRONIC CONDITIONS



Managing diabetes and high blood pressure

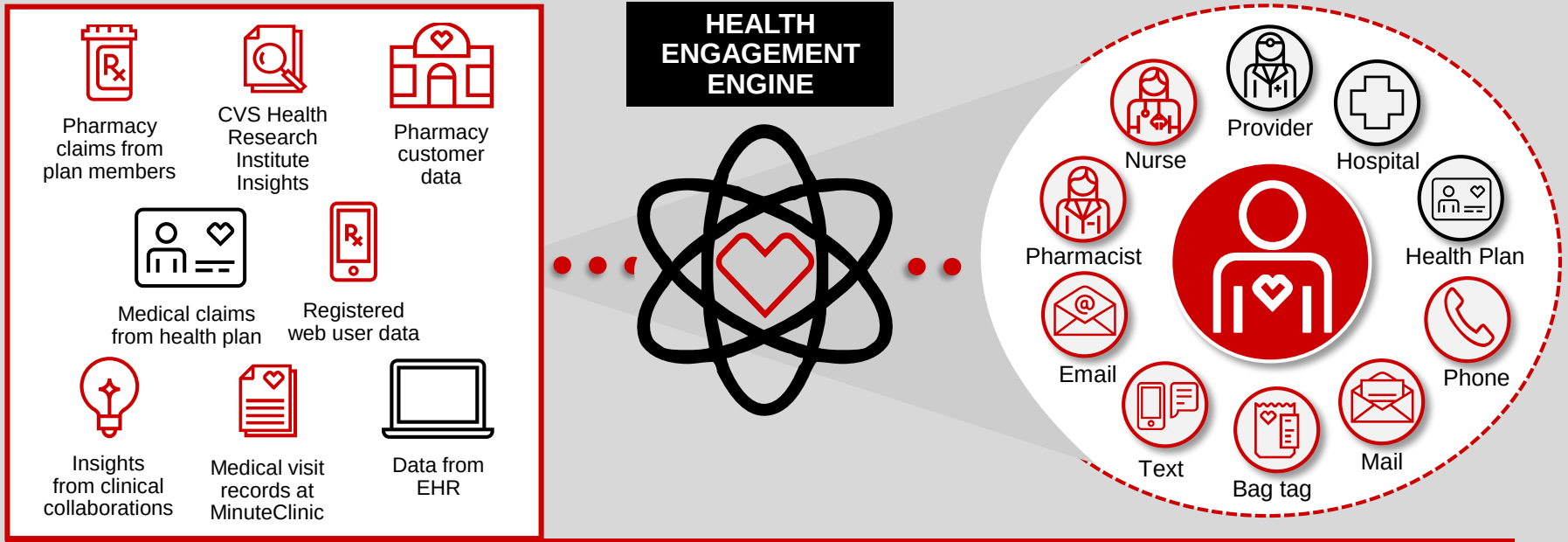
Managing her own and her family's health



$300 Billion
ANNUAL COST OF NON-ADHERENCE

Refer to endnotes for additional information.

Integrated Where It Matters: Health Engagement Engine Transforms Data Into Actionable Interventions



Utilizing member insights to deliver personalized interventions

Meet Sarah



- ✓ 43 years old, multiple sclerosis
- ✓ Pre-diabetic
- ✓ Relies on support from her CareTeam, struggling to manage her MS
- ✓ Is not optimally adherent to her cholesterol medication

Pharmacy claims

EHR Data

Medical claims from health plan

Pharmacy customer data

MinuteClinic visit data

HEALTH ENGAGEMENT ENGINE

- **Specialty Connect**
- **ScriptSync**
- **Specialty CareTeam**
- **Digital Tools**
- **MinuteClinic support**

Refer to endnotes for additional information.

Our Unique Model and Capabilities Deliver Better Clinical Results



Wellness and Preventative Care	Adherence Support	Addressing Gaps in Care	Specialty Patient Support	Transitions in Care
34% Higher vaccination rate with HealthTag	**9.9%** Adherence increase with Pharmacy Advisor	**7.5%** Reduction in gaps in care with pharmacist counseling	**23%** Fewer hospitalizations with embedded rare disease nurse	**48%** Reduction in hospital readmissions

Refer to endnotes for additional information.

Agenda

PBMs: Needed Now More Than Ever

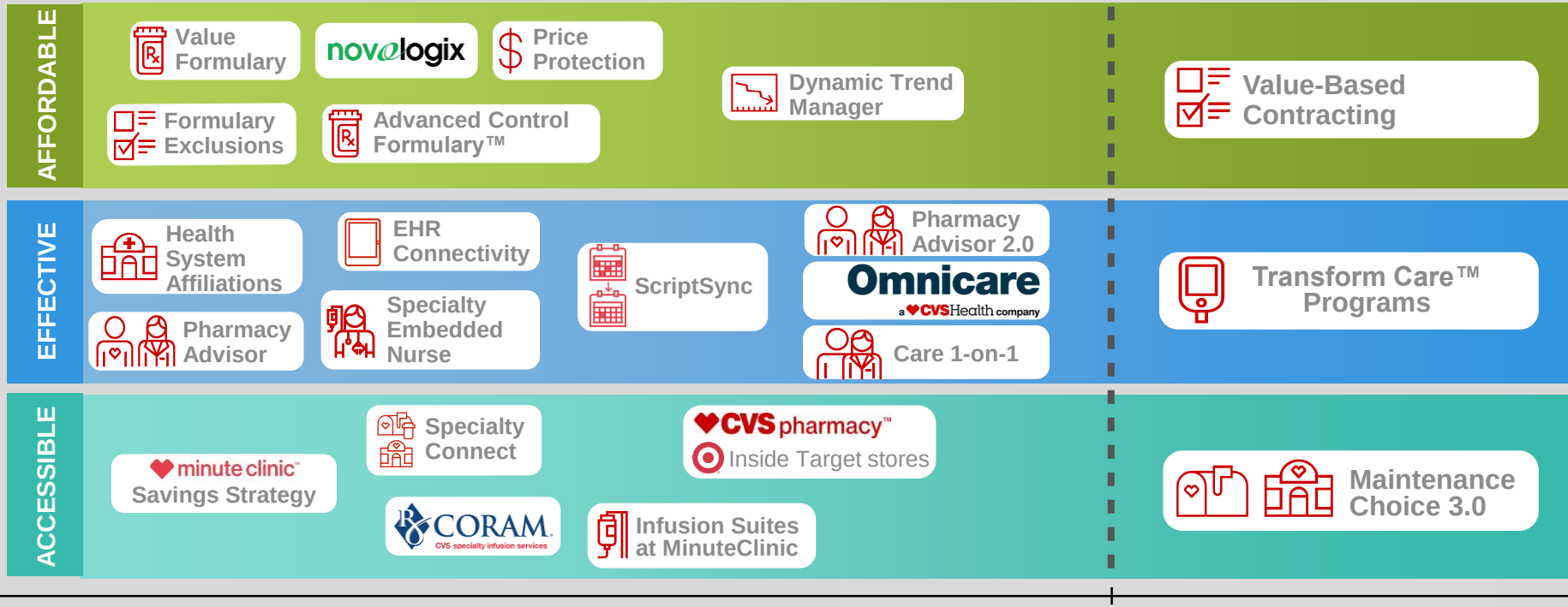
Performance Highlights

How We Address Payors' #1 Priority: Reducing Cost

Integrated Where It Matters

Innovating for the Future

We Continue to Innovate to Anticipate and Address Unmet Needs for Clients and Members



Value-Based Contracting With Pharma Manufacturers

Principles Of Value-Based Contracting

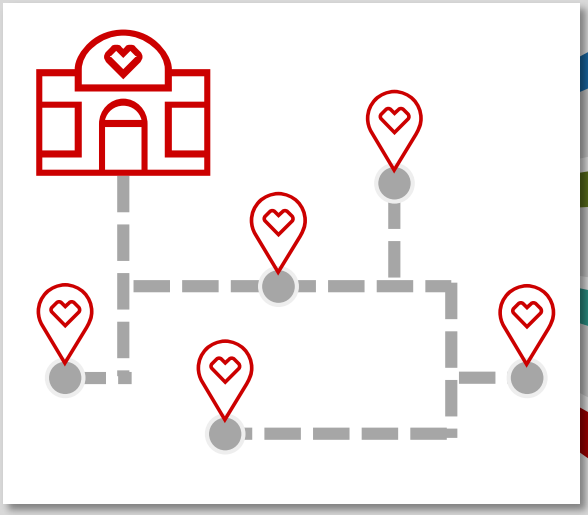


- ✓ **Further aligns incentives on outcomes and cost**
- ✓ **Price linked explicitly to the defined value metrics**

Indication-Based Rebates	Indication-Based Pricing	Outcomes-Based Contracting
• A differentiated rebate structure based on indication or diagnosis • Builds upon preferred drug strategy	• Payors and manufacturers agree on different prices for different indications • Potential to impact plan design/copay and physician reimbursement	• Manufacturers pay retrospective rebates based on clinical outcomes

Improves negotiating strength given the growing number of indications for many specialty drugs

Value-Based Retail Networks Help Deliver Savings and Improved Performance



Network Composition

- Value-based networks up to ~50,000 pharmacies
- Stringent performance criteria

Network Design

- Provide a high level of member access
- Pay-for-performance component

Performance Metrics

- Adherence in specific disease states; closing gaps in care
- Formulary compliance

Client savings up to 3%

Refer to endnotes for additional information.

Staggering Cost of Diabetes

By the Numbers

1 in 3

Members will be diagnosed with diabetes in their lifetime



$10K

Higher annual medical costs for people with Type 2 diabetes



A Challenging Care Plan

- ✓ Medication therapies
- ✓ Monitoring of blood glucose levels multiple times per day
- ✓ Ongoing provider follow-ups and exams
- ✓ Regular A1c checks
- ✓ Lifestyle modifications; diet and exercise

Refer to endnotes for additional information.

Transform Care™ Programs Improve Clinical Outcomes and Reduce Costs

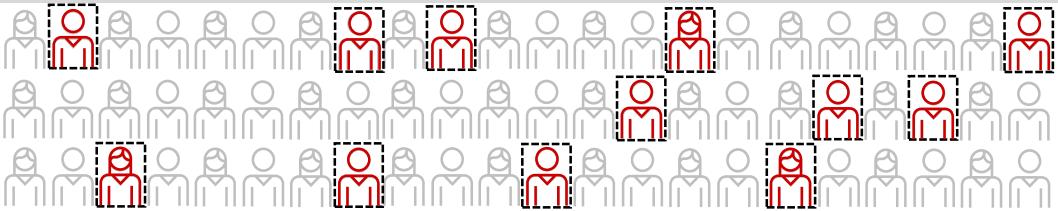
Stratify

Employ advanced analytics to segment the population by disease complexity



Target

- Personalized outreach based on robust member targeting
- Delivered exclusively through **CVS-Only Diabetes Network**



Influence

IMPROVING OUTCOMES



- Enhanced A1c control with connected glucometer
- Live diabetes coaching
- 1:1 pharmacist adherence counseling
- MinuteClinic diabetes care visit
- Medication management solutions

CONTROLLING COST



- Single-digit trend guarantee
- Diabetes network
- Formulary alignment

CVS Health Transform Diabetes Care™ in Action

Paul

Newly prescribed antidiabetic medication



Counseled.



Connected.



Monitored.



Supported.



Paul's Care Journey to Effective Diabetes Control

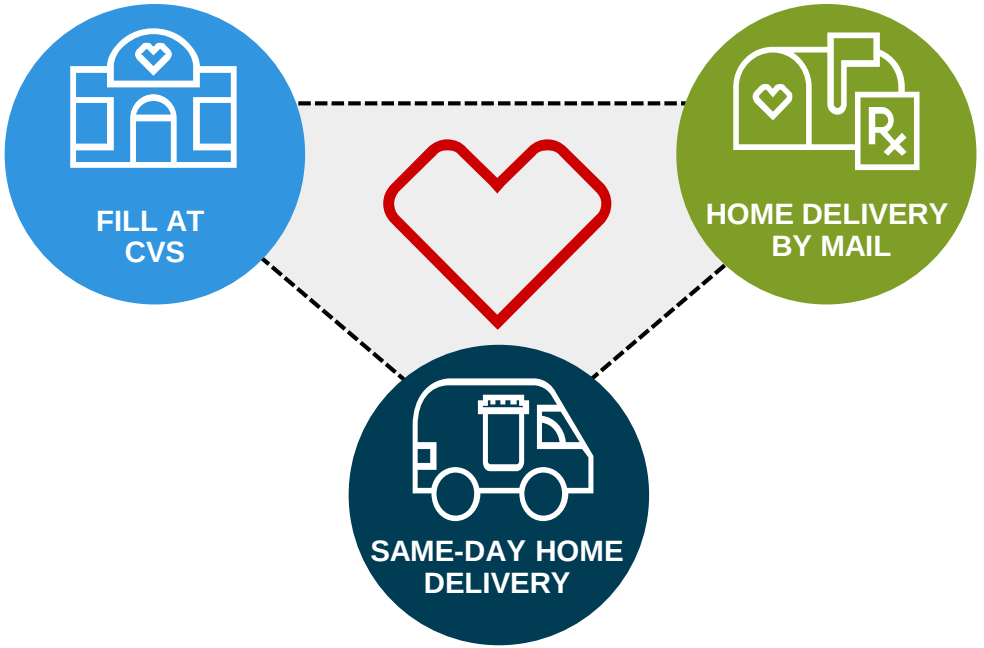
Transform Diabetes Management

Savings for client with 100,000 lives: up to $36 million per year

Refer to endnotes for additional information.

Expanding Member Options—Maintenance Choice 3.0





The next generation of prescription convenience—Only for CVS Caremark Members

Helping Each Member Along Their Path to Better Health



BILL
65 years old

- ✓ COPD
- ✓ Does not live near CVS

HOME DELIVERY VIA MAIL



RICK
51 years old

- ✓ Diabetes
- ✓ High blood pressure

AT THE PHARMACY COUNTER



SUSAN
37 years old

- ✓ High cholesterol
- ✓ 3 children; manages her family's prescriptions as well

CVS EXPRESS CURBSIDE PICKUP



LOIS
58 years old

- ✓ Multiple Sclerosis
- ✓ Connects digitally
- ✓ Needs Rx and aspirin fast

SAME-DAY HOME DELIVERY

Convenience and accessibility; putting care within easy reach

Refer to endnotes for additional information.

Today's Key Takeaways

Driving More Affordable, Accessible and Effective Care

Driving Outcomes and Savings	Evolving market demands more from a PBM; next-generation pharmacy management essential for payors, members and providers
Providing the Front Door and the Last Mile	Delivering better outcomes by supporting members throughout therapy, whenever and wherever they utilize prescriptions
Best Partner for PBMs and Health Plans	Better coordination with providers and health systems; expanded member engagement helps to improve outcomes and lower costs
Integrated Pharmacy Care	Truly integrated assets help us optimize the member's experience at all of our touchpoints and make every interaction more effective
Positioned for L-T Enterprise Growth	New business provides platform to build enterprise share; service and quality drive Medicare growth

Endnotes

Slide 7

1. 2016E & 2017E values represent the midpoint of the guidance ranges.

Slide 8

1. Revenue from clients changing PBMs: CVS Health internal data analysis.
2. Client retention rate: 1 less (estimated 2017 lost revenues from any known terminations plus annualization of any mid-year 2016 terminations, divided by estimated 2017 PBM revenues) expressed as a percentage. Both terminations and PBM revenues exclude the Medicare Part D SilverScript individual PDP business.

Slide 9

1. Gross and net new business revenue exclude Medicare Part D SilverScript individual products.

Slide 10

1. Enterprise Rxs represents all Rx volume dispensed through a CVS Health enterprise channel (Mail, Specialty, Retail, Long-Term Care). All dispensed CVS retail and mail prescriptions include the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.

Slide 11

1. Enterprise Rxs represents all Rx volume dispensed through a CVS Health enterprise channel (Mail, Specialty, Retail, Long-Term Care). All dispensed CVS retail and mail prescriptions include the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.

Endnotes

Slide 12

1. Largest PDPs by enrollment: Reflects the estimated Captive/non-Captive lives by PBM for 2016 plan year. Membership based on October 2016 Medicare Part D CMS enrollment and estimation of current contracts under PBM management. PBM – health plan client relationship is sourced from public announcements by PBM and health plan organizations; only relationships that are publicly announced are included in this analysis.
2. Medicare lives served by PBM: Reflects the Captive/non-Captive lives by PBM for 2016 plan year. Membership based on October 2016 Medicare Part D CMS enrollment published by CMS and grouped by CMS contract number managed by related PBM.
3. STARS ratings: Stars performance is derived using Part D Stars Ratings for contracts under PBM management during the 2017 Stars measurement period (2015 plan year) and the CMS reported enrollment at the time of 2017 Star Ratings release (September 2016 enrollment).

Slide 13

1. Source: Growth of Plans Administered by CVS Health is based on non-SilverScript PBM clients for the continuous period 2013 – 2016.
2. Source: CMS Growth Rate based on covered lives reported in the CMS Monthly Report Summary.

Slide 14

1. Source: CVS Health internal data analysis. Industry CAGR calculated 2013-2016 via Milliman report: http://www.phrma.org/sites/default/files/pdf/milliman-specialty-drug-forecasts.pdf

Slide 15

1. Client satisfaction source: PBMI 2016 Pharmacy Benefit Management Customer Satisfaction Report.
2. Member satisfaction source: 2016 Member Experience survey.
3. 275 clients includes new and reinstallation of existing clients with significant plan design changes.

Endnotes

Slide 17

1. Source: CVS Health internal data analysis, utilization trend based on commercial cohort (Health Plans and Employers).
2. Trend is reported net of rebates.

Slide 18, 19

1. Source: CVS Health internal data analysis, client cohort excludes SilverScript PDP and EGWP clients.

Slide 20

1. Drug launch price reflects the Average Wholesale Price (AWP). Values are annual with the exception of short-term treatments (Incivek, Sovaldi, Viekira & Harvoni) where the value listed is for the duration of the treatment.

Slide 21

1. Number of Americans turning 65 source: PEW Research Center.
2. Source: Projections by Pipeline Services, data 2016 through 2018, as of November 1, 2016. This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Health.
3. Utilization trend based on an internal case study of a large national client.
4. 2020 specialty spend projections based on National Health Expenditure data.

Slide 24

1. Source: CVS Health internal data analysis, Commercial cohort (Health Plans and Employers).

Slide 28

1. Source: Safety and Monitoring internal case study; reporting period 1/1/2015 – 12/31/2015.
2. Medical savings: estimate based on medical literature describing the prevention of additional medical costs such as physicians visits, emergency room visits and unnecessary laboratory fees.

Endnotes

Slide 29

1. Savings results will vary based on a variety of factors including demographics, plan design and other programs implemented by the client.

Slide 30

1. Source: CVS Health internal data analysis, 2016. All cohorts used for analysis are age-adjusted to commercial means. The Client-Managed cohort includes commercial employers and health plans who determine their own formulary structure. CVS Health managed formulary cohorts (Standard, Advanced Control, and Value) include employers and health plans. Calculated cost includes both client and member share, and includes discounts from rebates.

Slide 31

1. Current Lives includes 2017 known enrollments less terminations.
2. Total lives opportunity includes current lives plus runway.
3. Exclusive Specialty Savings: Specialty spend under the pharmacy benefit.
4. Specialty Medical Management: Total lives Opportunity based on Health Plan lives in PBM book of business; savings apply to specialty spend under the medical benefit.
5. Savings results will vary based on a variety of factors including demographics, plan design and other programs implemented by the client.

Slide 34

1. Source: CVS Health internal data analysis of 2015 Blue Health Intelligence Commercial Specialty Drug Database.
2. Source: http://www.cdc.gov/chronicdisease/about/multiple-chronic.htm.
3. Source: NEHI http://www.nehi.net/bendthecurve/sup/documents/Medication_Adherence_Brief.pdf.

Slides 36/44/46

1. While the member stories and profiles depicted are fictional, the information is representative of clinical profiles and health care experiences encountered on a regular basis.

Endnotes

Slide 37

1. Wellness and Preventative: CVS Health internal data analysis 2015.
2. Adherence Support: Increase based on oral diabetes medications.
3. Addressing Gaps in Care: CVS Health internal data analysis, 2013 data.
4. Specialty Patient Support : CVS Health internal data analysis, 2013 data.
5. Hospital Readmissions: CVS Health internal data analysis, 2014 data.
6. Savings results will vary based on a variety of factors including demographics, plan design and other programs implemented by the client.

Slide 41

1. Client Savings: CVS Health internal data analysis.
2. Savings results will vary based on a variety of factors including demographics, plan design and other programs implemented by the client.

Slide 42

1. Source: Gilmer et al., Diabetes Care, 2005; Shetty J Manag Care Pharm, 2005.

Slide 44

1. Estimated client savings based on internal study on the Diabetes Program, looking at improvement opportunities for a 100K life diabetic population relative to A1c, Blood Pressure and Cholesterol metrics, along with their American Diabetes Association clinical targets.

Leading the Evolution of the Specialty Model

Alan Lotvin, MD
Executive Vice President, CVS Specialty

CVSHealth



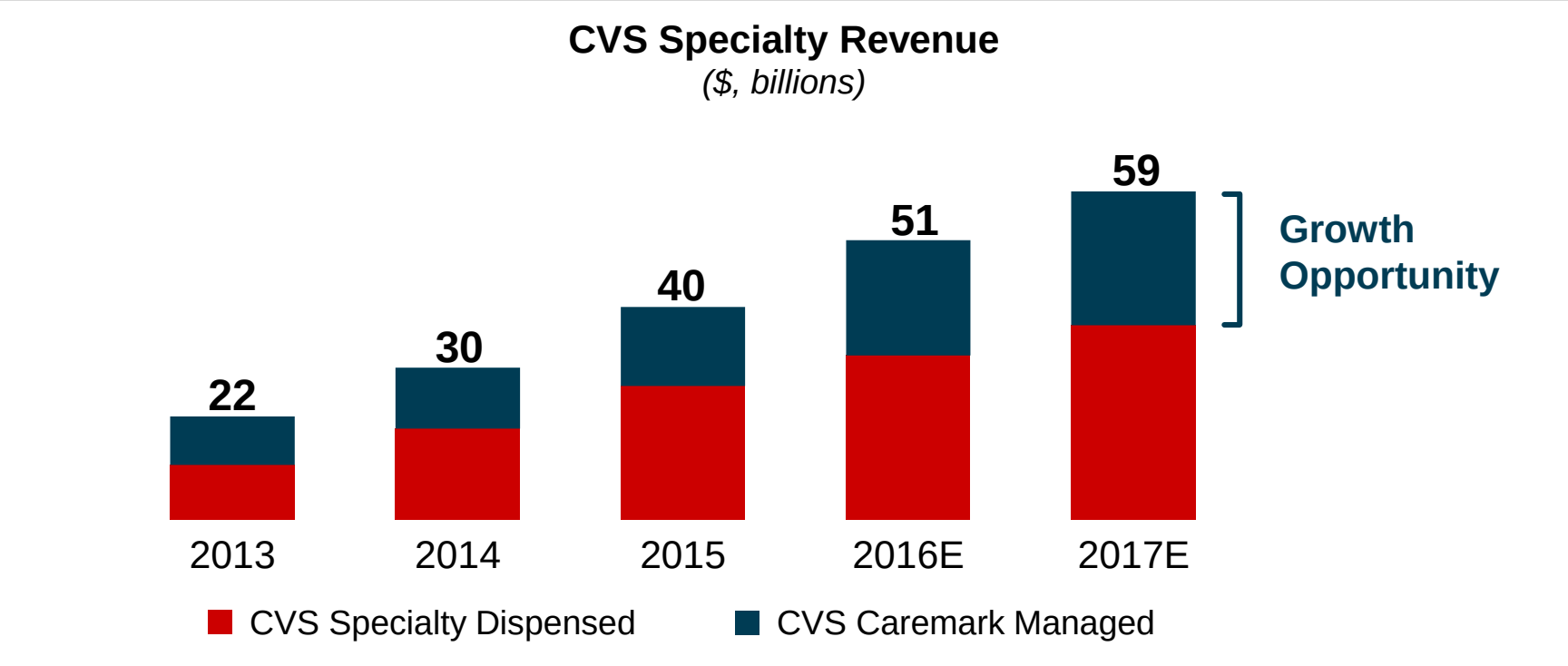
Agenda

Performance Highlights

Integrated PBM + Specialty: Needed Now More Than Ever

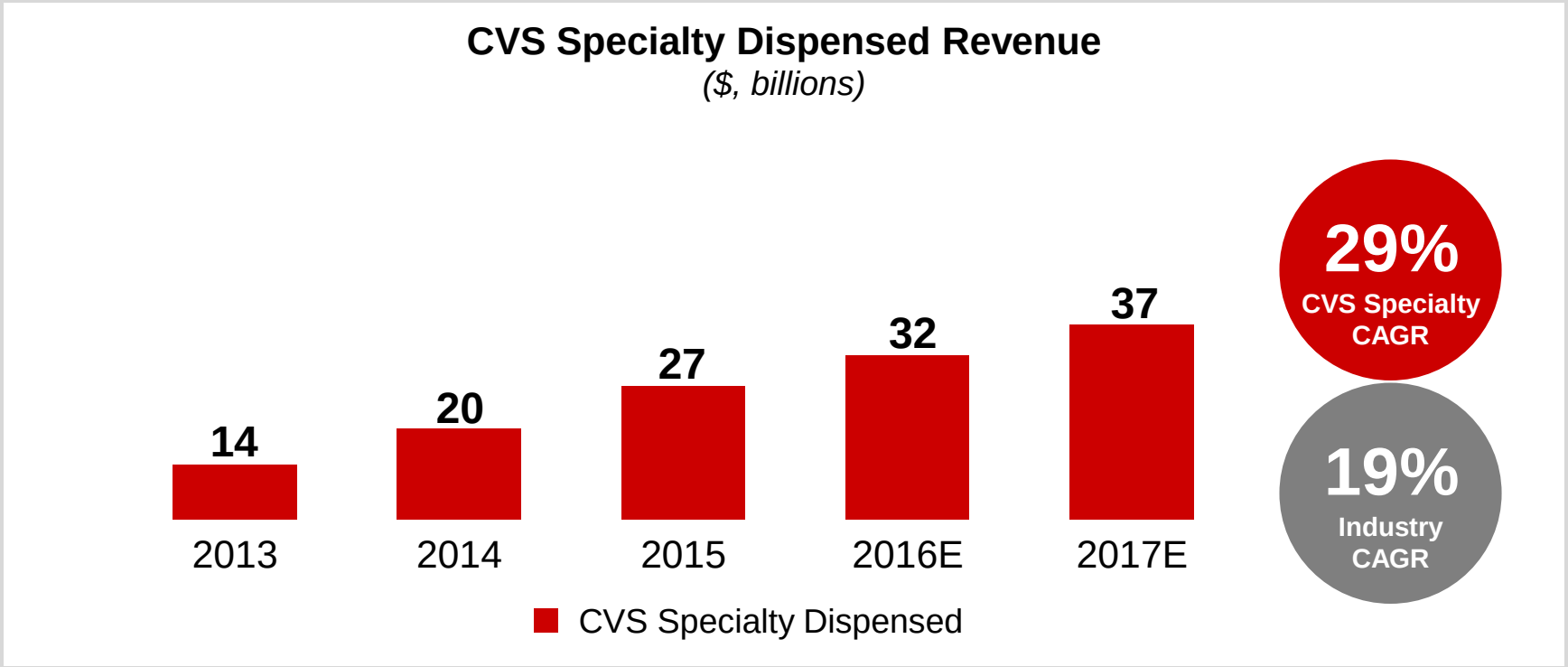
Continuous Innovation to Provide Maximum Value to Stakeholders

CVS Health Continues to Grow in Specialty



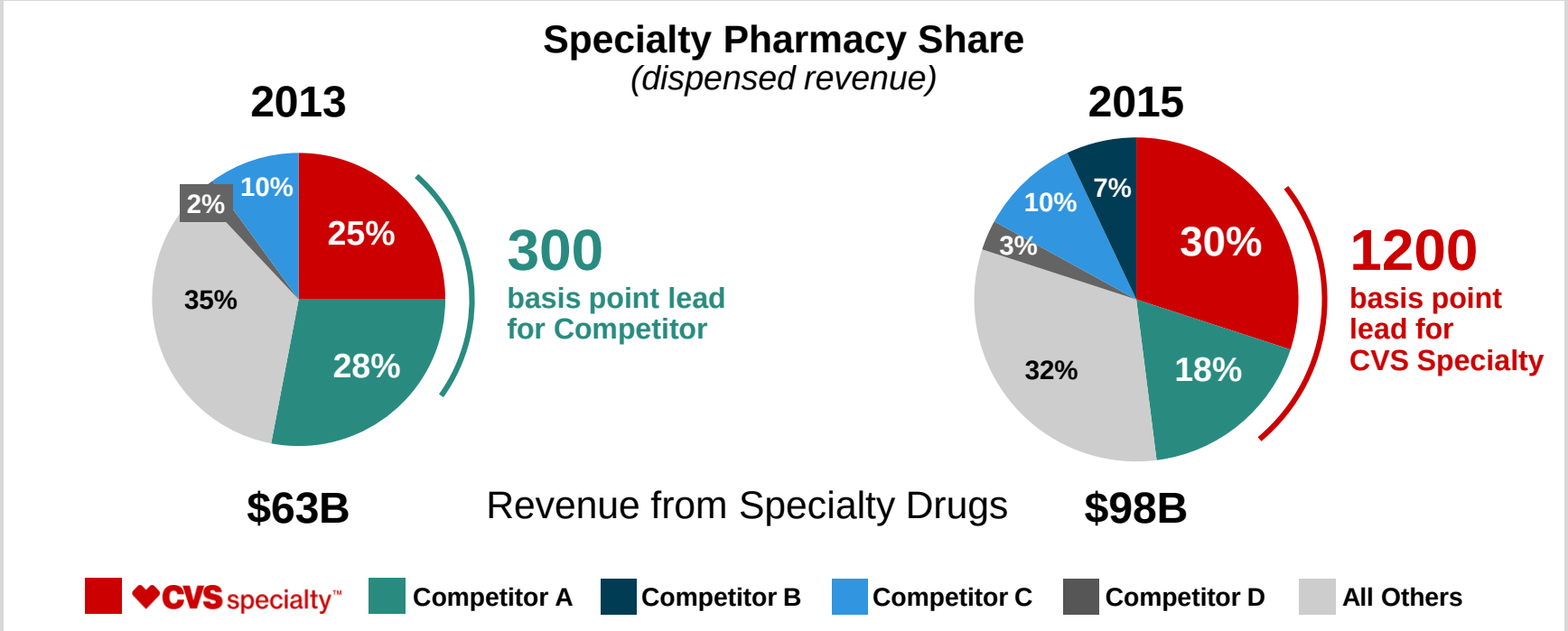
Refer to endnotes for additional information.

CVS Health Continues to Grow in Specialty



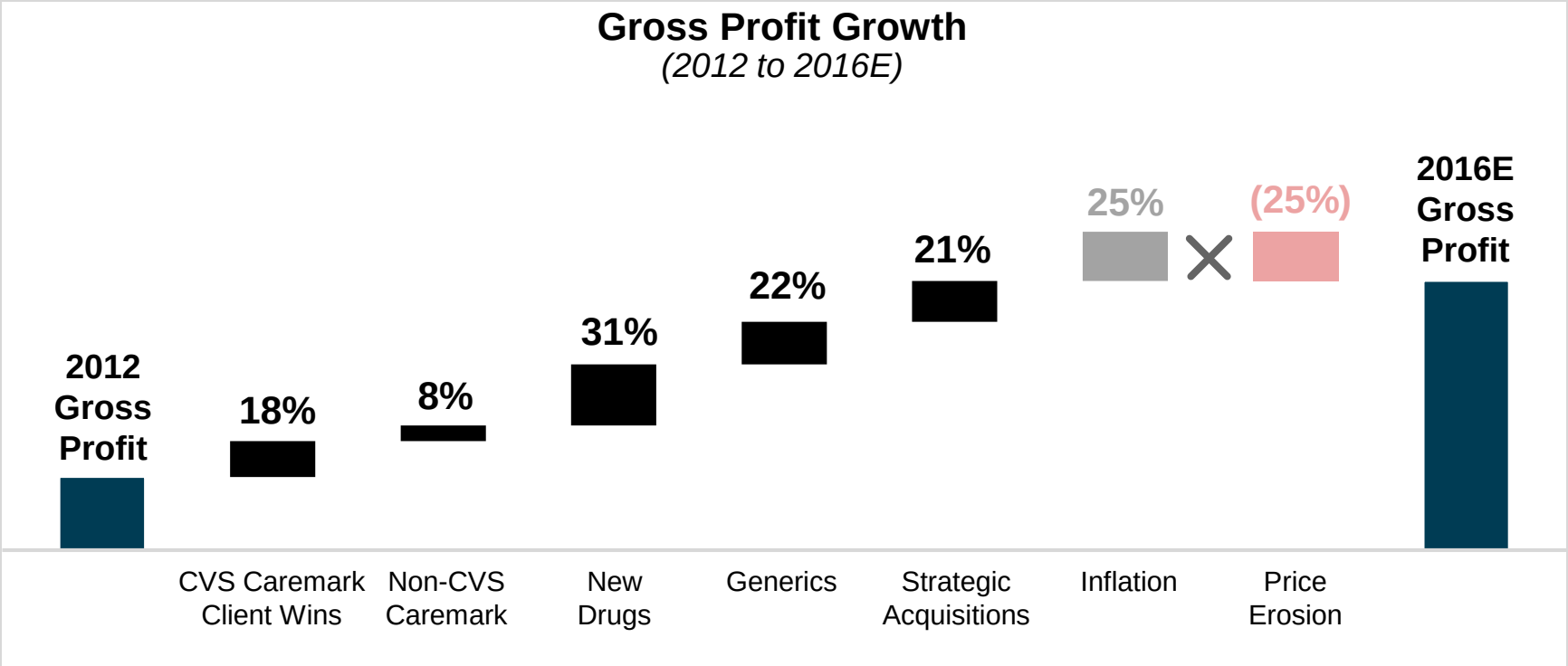
Refer to endnotes for additional information.

CVS Specialty Growing Faster Than Nearly All Large Competitors



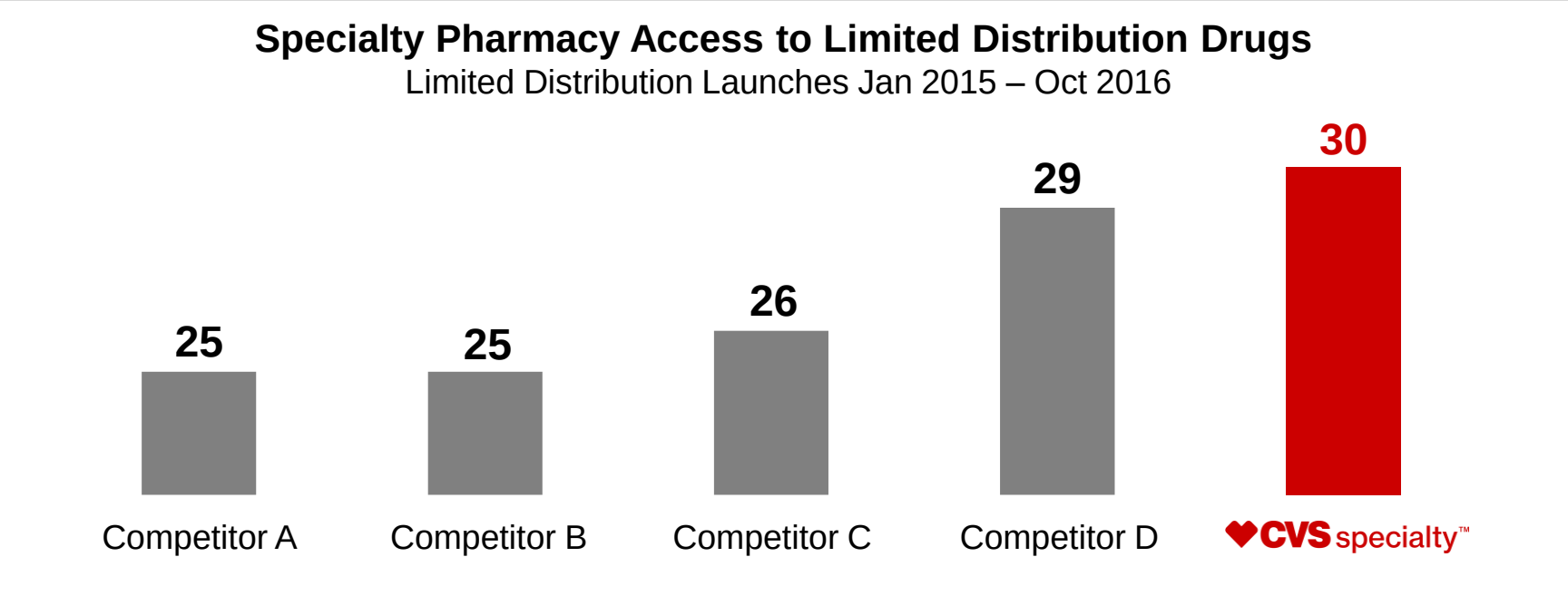
Refer to endnotes for additional information.

Multiple Contributors to Gross Profit Growth



Refer to endnotes for additional information.

Access to New Drugs Is Important Contributor to Performance



Refer to endnotes for additional information.

The Enhanced CVS Specialty Operating Model Will Improve Physician Experience and Patient Outcomes



Physician Service Center

Organized by physician specialty

Faster turn around times and improved referral conversion rates



Centers of Excellence

Organized by patient condition

Specialized patient support



National Dispensing Network

Organized by geography

Reliability and cost savings of ground shipping

Agenda

Performance Highlights

Integrated PBM + Specialty: Needed Now More Than Ever

Continuous Innovation to Provide Maximum Value to Stakeholders

The Complexity of Patients and Market Requires Broad Set of Interventions

Patient Issues	Payor / Market Issues	
Clinical complexity	Spend across pharmacy and medical benefits	Pipeline of new drugs and indications
Multi-drug regimens	Biosimilars	Emerging specialty provider models

Value Our Stakeholders Are Seeking: Simplification

Patients

- Easy access to specialty medications
- Clinical support; drugs and conditions
- Financial assistance counseling

Payors

- Specialty spend management
- Clinical care for patients
- Greater value for spend

Physicians

- Administrative simplicity
- High-touch service
- Visibility into adherence

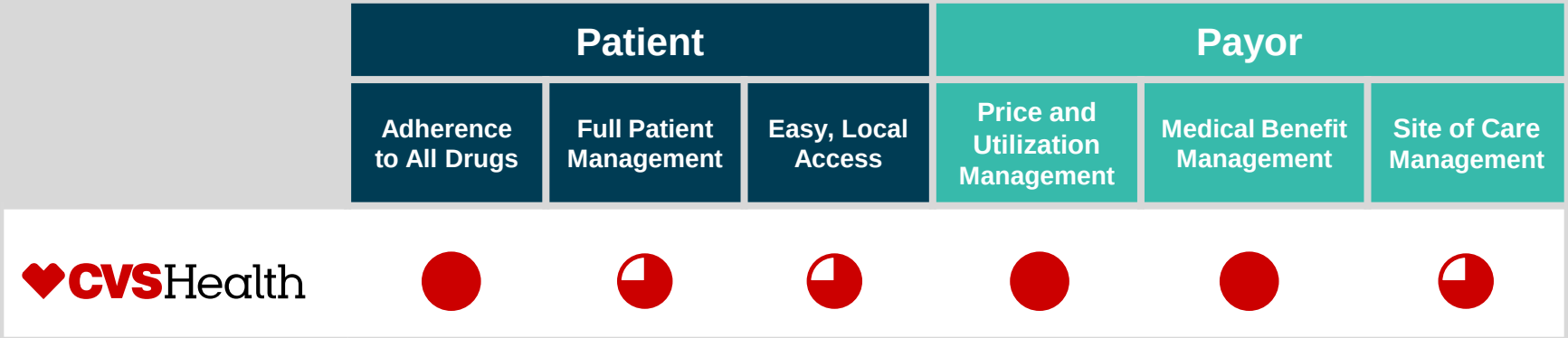
Manufacturers

- Support adherence
- Data on real world use of products
- Formulary access

Our Integrated Model Enables Us to Meet the Needs of This Increasingly Complex Market

	Patient			Payor		
	Adherence to All Drugs	Full Patient Management	Easy, Local Access	Price and Utilization Management	Medical Benefit Management	Site of Care Management
CVSHealth	●	◕	◕	●	●	◕
"Pure Play" Specialty Pharmacy	◕	◔	○	○	○	◕
Retail Pharmacy	◑	◔	◑	○	○	◑
PBM + Specialty	●	◑	○	●	◑	◕
Health Plan + PBM + Specialty	●	●	○	●	◕	◕

Our Integrated Model Enables Us to Meet the Needs of This Increasingly Complex Market



We've captured ~40% of market growth since 2013

Refer to endnotes for additional information.

Agenda

Performance Highlights

Integrated PBM + Specialty: Needed Now More Than Ever

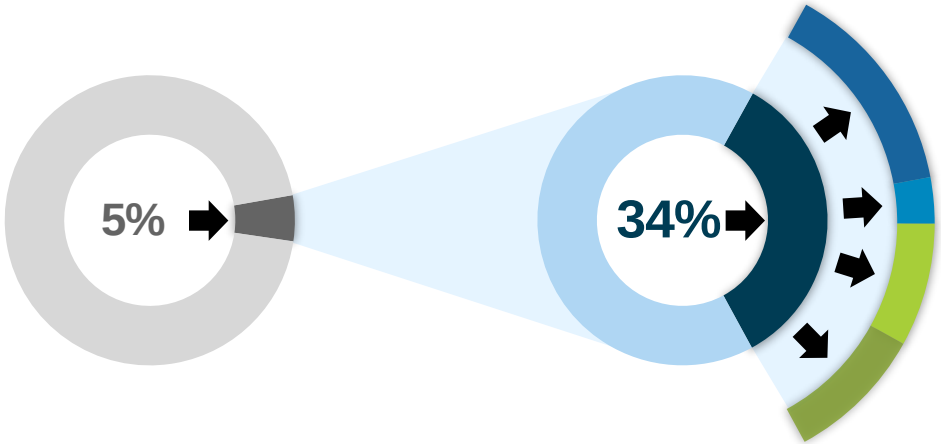
Continuous Innovation to Provide Maximum Value to Stakeholders

Patients: Improving Care and Outcomes

Payors: Optimizing Total Spend

Complex Specialty Patients Drive a Large Portion of Health Care Costs

Members Using Specialty Drugs	Specialty Share of Total Health Care Costs	50% Not Related to Specialty Condition



14% All other medical costs

3% All other drugs

8% Specialty condition: other medical costs

9% Specialty drugs

Our model leverages frequency of interactions to deliver broadest range of health improvement messages

Refer to endnotes for additional information.

Our Care Management Model Addresses More Than Adherence; Helps Reduce Overall Health Care Costs

Basic Specialty Model



Pharmacy Technician

+



Pharmacist

Support



Medication Management

Our Care Management Model Addresses More Than Adherence; Helps Reduce Overall Health Care Costs

Our Enhanced Model

Pharmacy Technician

+

Pharmacist

+

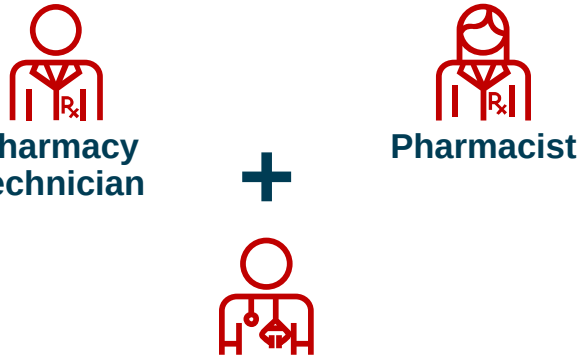
250+ Specially-Trained Rare Disease Nurses

CVS Specialty Support

- Medication Management
- Symptom Management
- Comorbidity Management
- Emotional and Social Support
- Self Care Education
- Transportation Support

Measurable Results of Our Care Management Model

Our Enhanced Model



CVS Specialty Proven Results

13x ↑ Greater engagement

7% ↓ Fewer ER visits

23% ↓ Fewer hospitalizations

11% ↓ **Reduction in total health care costs for managed conditions**

Rapid client adoption: nearly 550 clients (~20% of clients) after two years in market

Our Specialty Connect Model Helps Improve Patient Convenience, Satisfaction and Adherence

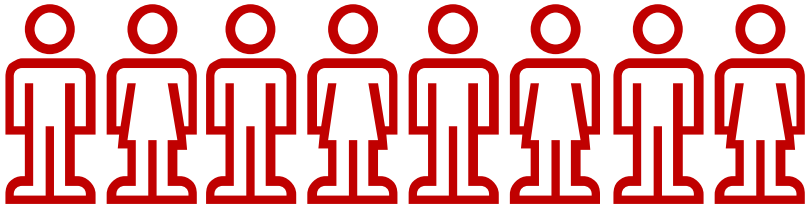
Highly Utilized Retail Channel

Delivery Choice

Clinical Benefit

~30%

new autoimmune patients start at retail



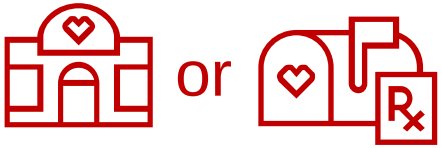
Refer to endnotes for additional information.

Our Specialty Connect Model Helps Improve Patient Convenience, Satisfaction and Adherence

Highly Utilized Retail Channel

Delivery Choice

Clinical Benefit



54%

Specialty Connect users prefer pick-up at CVS Pharmacy

60

Net Promoter Score

Refer to endnotes for additional information.

Our Specialty Connect Model Helps Improve Patient Convenience, Satisfaction and Adherence

Highly Utilized Retail Channel

Delivery Choice

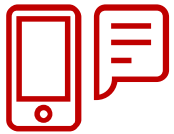
Clinical Benefit

11.4

percentage point improvement in adherence

Refer to endnotes for additional information.

Key Innovations Can Help Deliver Significant Value

Innovating	Testing	Delivering
Advanced Testing	**Wearable Technology**	**Two-Way Text Messaging**
Specific bio-marker tests inform best treatment course 	Monitors activity to identify early signs of disease progression 	Promote adherence at key points in care **9% increase** in refills on time 

Nearly 60% of specialty patients have opted in to email and text notifications

Refer to endnotes for additional information.

Agenda

Performance Highlights

Integrated PBM + Specialty: Needed Now More Than Ever

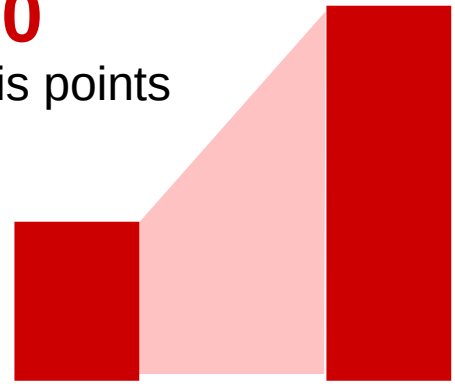
Continuous Innovation to Provide Maximum Value to Stakeholders

- Patients: Improving Care and Outcomes
- **Payors: Optimizing Total Spend**

The Value of the Integrated PBM + Specialty Model

Cost Per Utilizer Per Month

250
basis points



CVS Specialty Proven Results

$10M
savings per 1 million lives

60 basis point
improvement in adherence

Refer to endnotes for additional information.

Comprehensive Management: Significant Savings Opportunities to Even the Most Sophisticated Clients

Specialty Formulary	Exclusive Network	Prior Authorization Across Benefits	Medical Claims Management	Site-Of-Care Management
				
$1M	**$7M**	**$48M**	**$7M**	**$1M**

$64 million savings per 1 million lives
~11% reduction in specialty drug spend

Refer to endnotes for additional information.

Prior Authorization Provides the Richest, Most Timely Dataset for Specialty Management

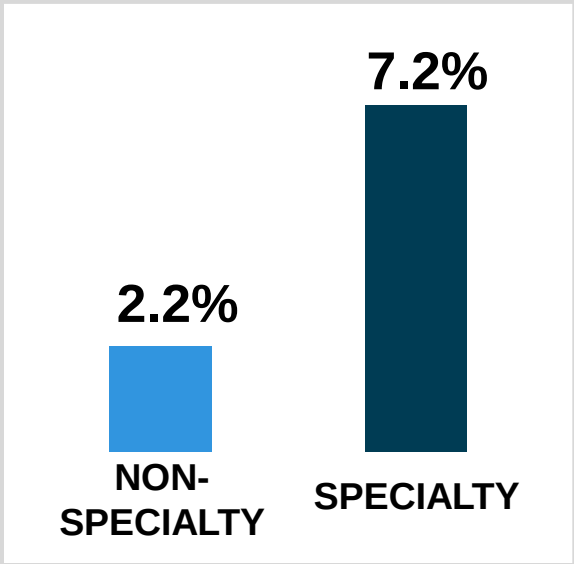
Source	Data Included			
Medical Claim (days to weeks)	Patient Demographics	**Diagnosis**	Drug Code	Billed Procedure
Pharmacy Claim (near real-time)	Patient Demographics	**Diagnosis (Inferred)**	Drug Code	

Prior Authorization Provides the Richest, Most Timely Dataset for Specialty Management

Source	Data Included					
Prior Authorization (real-time)	Patient Demographics	Diagnosis	Prescribed Drug	Clinical Exam Data	Laboratory Data	Response to Therapy
Medical Claim (days to weeks)	Patient Demographics	Diagnosis	Drug Code	Billed Procedure		
Pharmacy Claim (near real-time)	Patient Demographics	Diagnosis (Inferred)	Drug Code			

Utilization Is a Key Driver of Specialty Growth, Demanding Continued Innovation

Utilization Trend



Today's Solutions

- Prior authorization across benefits
- Step therapy and generics first
- Quantity edits

Near-Term Innovations

- Enhanced rule sets
- EHR integration ePA adoption
- New clinical data

Refer to endnotes for additional information.

Inflation and Higher Launch Prices Create Need for Innovative Management Solutions

Cost Drivers

8.7%

brand price inflation 2015

~$170K

average annual price last three approved oral oncology drugs

Formulary



Exclusion formulary



Value-based contracting

Plan Design



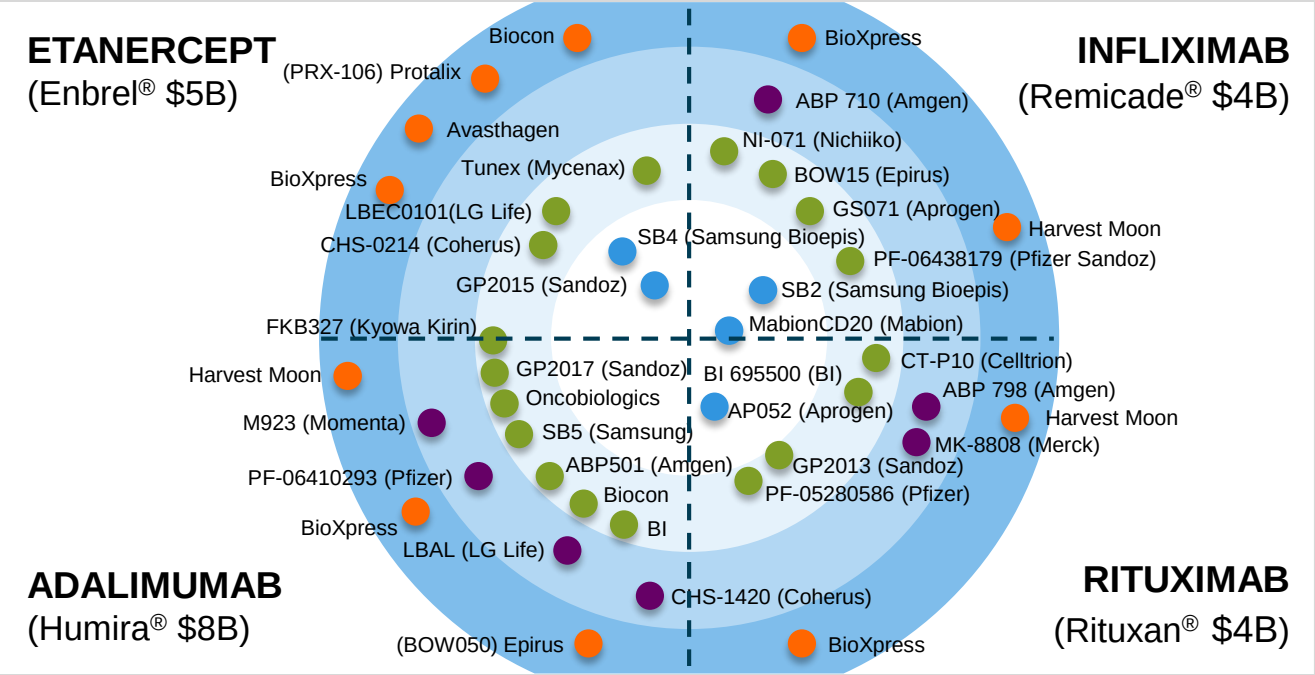
Plan design for generics and biosimilars



Value-based plan design

Refer to endnotes for additional information.

Rich Biosimilar Pipeline Creates Savings Opportunities



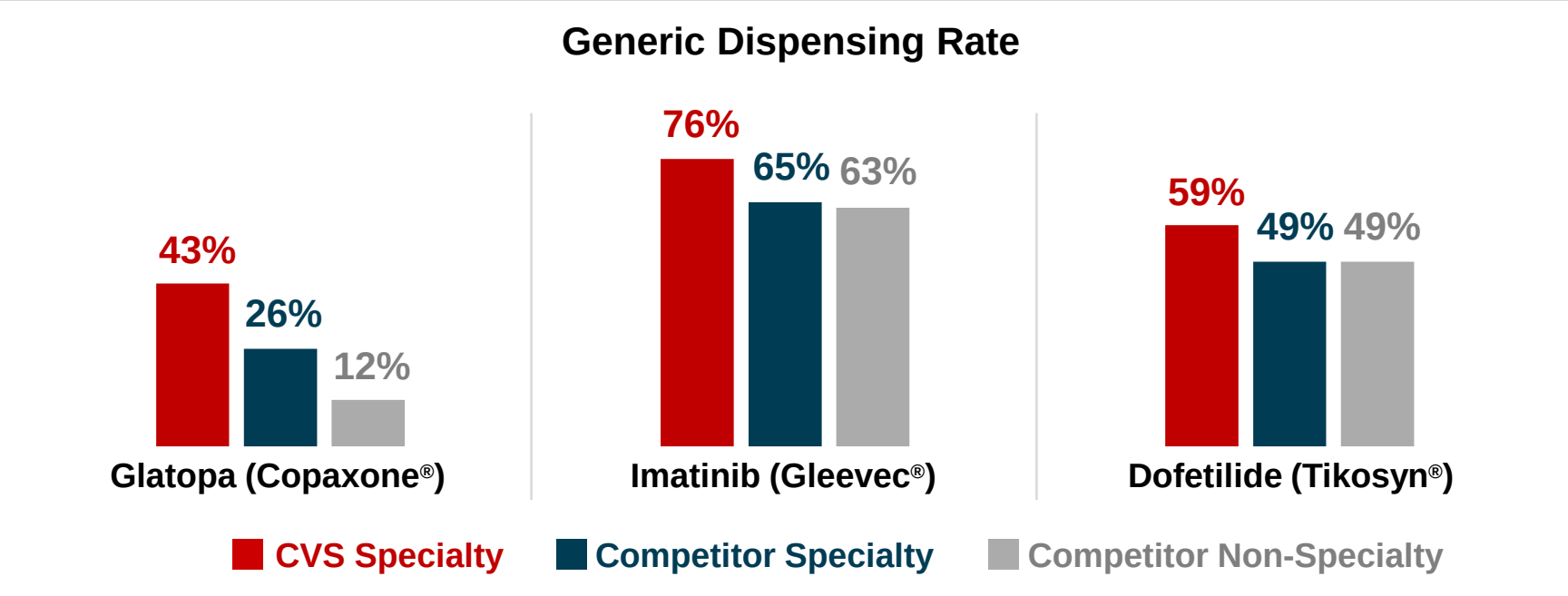
Timeline

- **Filed → Approval** 12 months
- **Late phase → Filed** 18-24 months
- **Early phase**
- **Preclinical**

Approval → Launch unknown

Refer to endnotes for additional information.

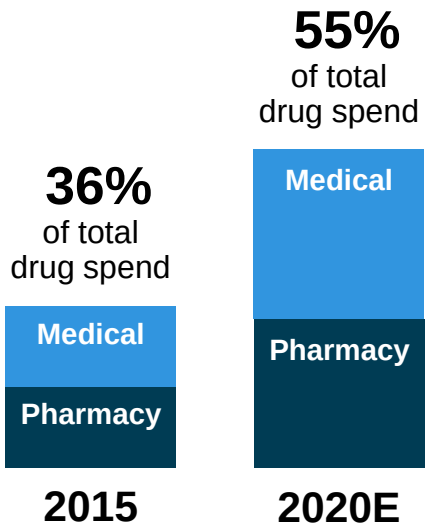
Integrated PBM + Specialty Model Produces Better Results



Refer to endnotes for additional information.

Management of Drugs Paid Under the Medical Benefit Remains a Significant Opportunity

Industry Specialty Spend



Today's Solutions

- Prior authorization across benefits
- Edit and reprice claims

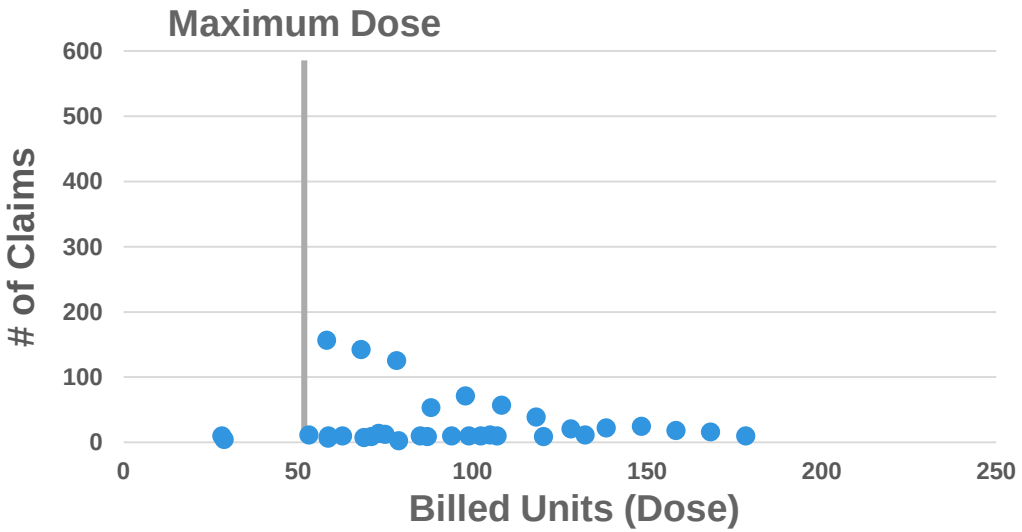
Near-Term Innovations

- Automated site-of-care
- Medical rebates

Refer to endnotes for additional information.

CVS Specialty Medical Claims Management Offers Significant Savings

Remicade Claims for Crohn's Disease as Submitted



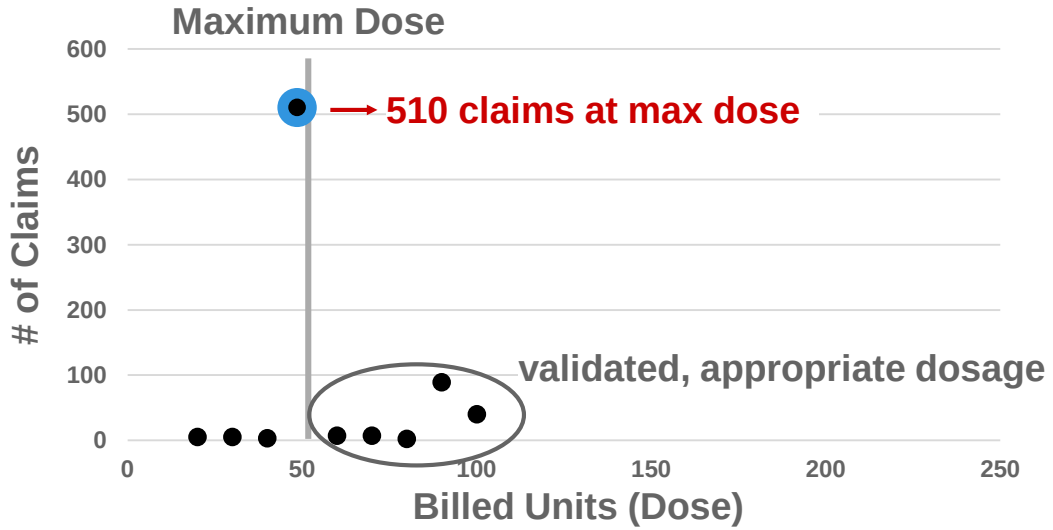
Claims Over Max Dose

99%

before editing

CVS Specialty Medical Claims Management Offers Significant Savings

Remicade Claims as Edited



Claims Over Max Dose

99% → **22%**

before editing — after editing

Savings

33%

on edited claims

Payor Value Proposition

Broadest set of capabilities to manage specialty spend across benefits

Access to all needed data in near real-time

Proven, in-market operational programs

Today's Key Takeaways

Driving More Affordable, Accessible and Effective Care

Driving Outcomes and Savings	In-market solutions with proven results that are lowering costs and improving outcomes
Providing the Front Door and the Last Mile	Integrated retail/PBM offerings, such as Specialty Connect, provide clinical support, unique flexibility and convenience to patients
Best Partner for PBMs and Health Plans	We're the specialty partner of choice, even when we're not the PBM
Integrated Pharmacy Care	Integrated PBM and specialty provides better results for patients, payors and physicians; addresses increasingly complex market needs
Positioned for L-T Enterprise Growth	Innovation, a balanced growth portfolio, and our enterprise assets will enable CVS Specialty to remain the provider of choice

Endnotes

Slide 3

1. 2016E & 2017E values represent the mid-point of CVS Health internal projections.
2. Industry CAGR calculated 2013-2016 via Milliman report http://www.phrma.org/sites/default/files/pdf/milliman-specialty-drug-forecasts.pdf.

Slide 4

1. Source 2013: Fein, Adam J., The 2013-14 Economic report on Retail, Mail, and Specialty Pharmacies, Drug Channels Institute, January 2014, http://www.drugchannels.net/2014/03/2013-pharmacy-market-share-for.html.
2. Source 2015: Fein, Adam J., The 2016 Economic Report on Retail, Mail, and Specialty Pharmacies, Drug Channels Institute, January 2016, https://3.bp.blogspot.com/-bUyVZq-soCo/Vt4NxR7VCPI/AAAAAAAAJrE/HPqPo05Vixw/s1600/Top_10_Specialty_Pharmacies_2015.png.

Slide 5

1. Source: CVS Health internal data analysis.

Slide 6

1. Source: CVS Health internal data analysis of market information which includes all FDA approved limited distribution specialty drugs between January 2015 to October 2016.

Slide 12

1. Source for percent of market: CVS Health internal data analysis using data from National Health Expenditure, Drug Channels, and internal data.

Slide 14

1. Source: CVS Health internal data analysis of 2015 Blue Health Intelligence Commercial Specialty Drug Database.

Endnotes

Slide 17

1. Source Greater Engagement: Judith Mueller Discusses (podcast), www.hpminstitute.org/content/wellness-and-disease-management-podcast-industry-specialist-judy-Mueller.
2. Source of other metrics: CVS Health internal data analysis.
3. Savings will vary based upon a variety of factors including things such as plan design, demographics and programs implemented by the plan.

Slide 18

1. Source: CVS Health internal data analysis.

Slide 19

1. Source Specialty Connect User Preference: Journal of the American Pharmacists Association 56 (2016) 47-53. January 2016, “The Adherence Impact of a Program Offering Specialty Pharmacy Services to Patients Using Retail Pharmacies.”
2. Source Net Promoter Score: CVS Health internal data analysis.

Slide 20

1. Source Adherence Improvement: Journal of the American Pharmacists Association 56 (2016) 47-53. January 2016, “The Adherence Impact of a Program Offering Specialty Pharmacy Services to Patients Using Retail Pharmacies.”

Slide 21

1. Source Increase in Refills: CVS Health internal report, Refill Reminders Value Study, using Specialty digital and PBM data, October, 2014 – July, 2015.
2. Source of Adoption Rate: CVS Health internal data analysis, analysis of SMS and email alert signups. CVS Health uses and shares data as allowed by applicable law, our agreement and our information firewall

Endnotes

Slide 23

1. Source: CVS Health internal data analysis.
2. Savings will vary based upon a variety of factors including things such as plan design, demographics and programs implemented by the plan.

Slide 24

1. Source: CVS Health internal data analysis.
2. Savings will vary based upon a variety of factors including things such as plan design, demographics and programs implemented by the plan.

Slide 26

1. Source: CVS Health internal data analysis .
2. Savings will vary based upon a variety of factors including things such as plan design, demographics and programs implemented by the plan.

Slide 27

1. Source Inflation: CVS Health internal data analysis.
2. Source Annual price: Medispan data.

Slide 28

1. Source Biosimilar Study: QuintilesIMS Institute, March 2016 report, page 14, “Delivering on the Potential of Biosimilar Medicines.”
2. Source Brand Sales: Evaluate Ltd. Annual USA Product Sales Summary, 2015; report date: 12/01/16.
3. This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Health.

Endnotes

Slide 29

1. Source: CVS Specialty internal data analysis.
2. This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Health.

Slide 30

1. Source Specialty Spend: CVS Health internal data analysis of National Health Expenditure and Artemetrx reports.
2. Source Total Drug Spend: “Medicines Use and Spending in the U.S.” IMS, April 2016.

Slide 31

1. Source: CVS Health internal data analysis.

Capitalizing on the *Retailization* of Health Care

Helena Foulkes
Executive Vice President &
President, CVS Pharmacy

CVS Health



Agenda

Retail Pharmacy

Partnering Through Enterprise Capabilities

Update on Key Assets

Front Store Growth Strategy

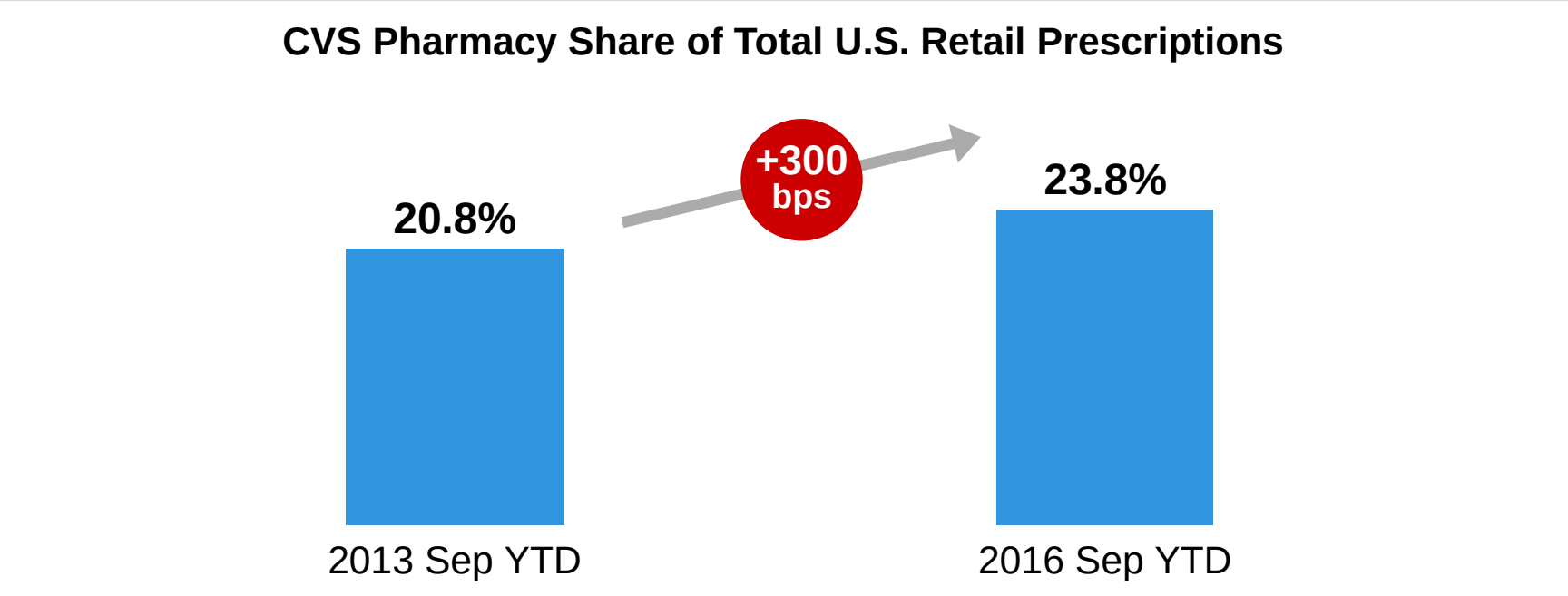
Retail Pharmacy at a Glance

Estimated 2016 CVS Pharmacy Revenue





Strong Record of Pharmacy Share Growth Over the Past Several Years



Refer to endnotes for additional information.

Significant Presence in the U.S. Retail Pharmacy Market



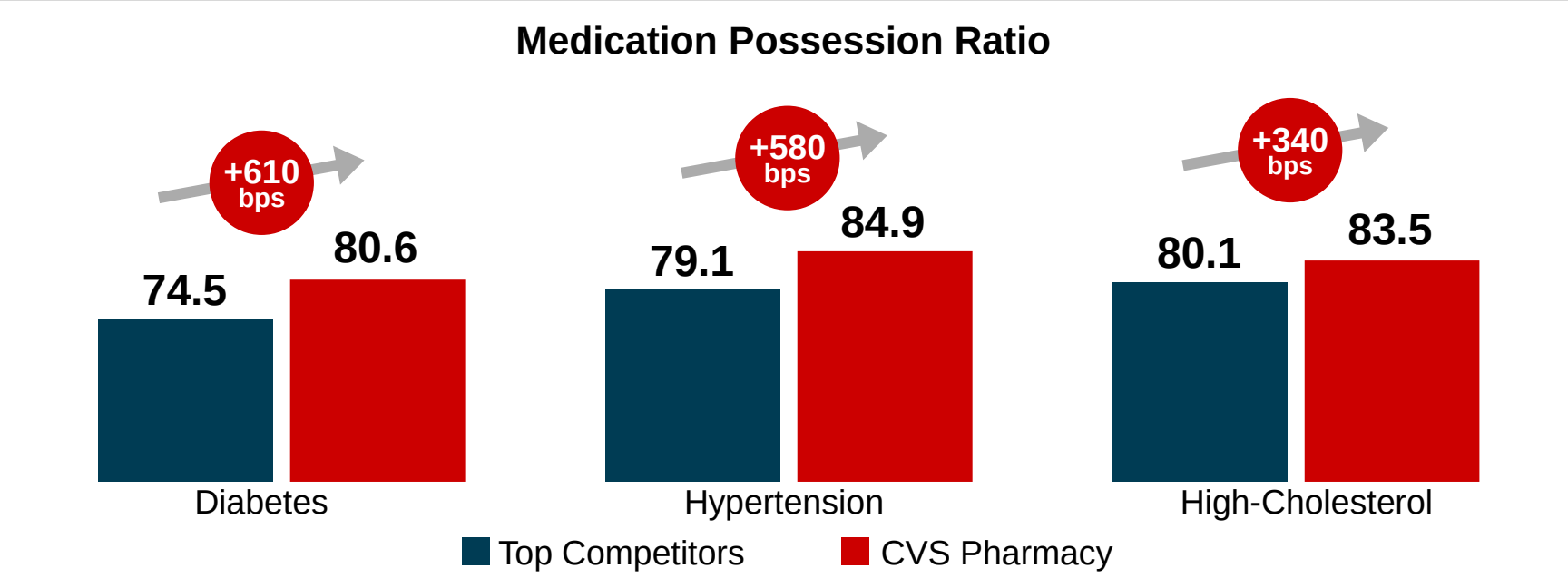
Size and Scale

- **9,600+** retail locations
- More than **1.1B** retail scripts filled annually

We own the last mile through our unmatched patient touchpoints and high frequency of consumer interaction

Refer to endnotes for additional information.

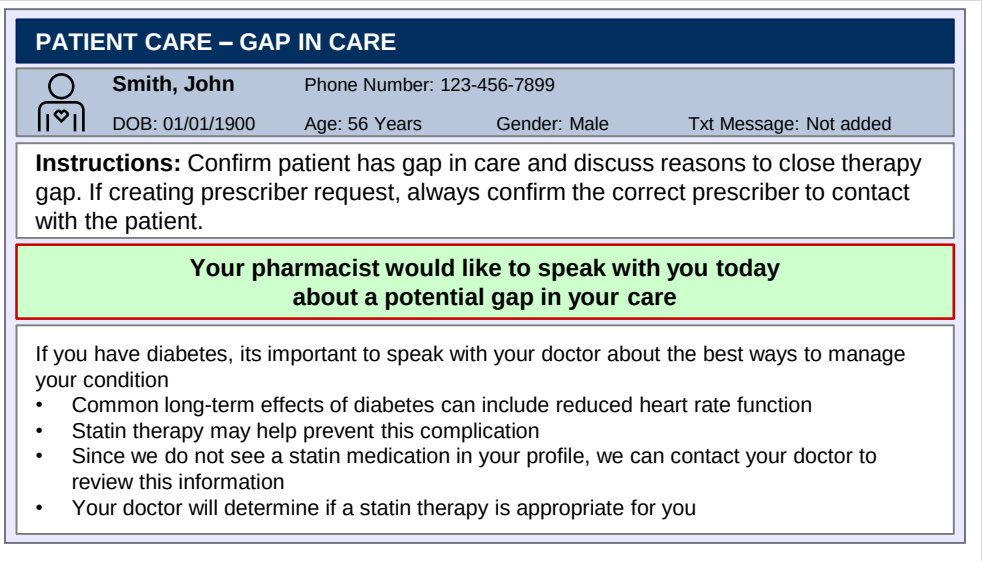
A Strong Track Record of Leading Performance



We deliver best-in-class clinical outcomes to all patients

Refer to endnotes for additional information.

Our Success Is Driven by Integrating Clinical Programs Into Our Workflow System



PATIENT CARE – GAP IN CARE

Smith, John Phone Number: 123-456-7899

DOB: 01/01/1900 Age: 56 Years Gender: Male Txt Message: Not added

Instructions: Confirm patient has gap in care and discuss reasons to close therapy gap. If creating prescriber request, always confirm the correct prescriber to contact with the patient.

Your pharmacist would like to speak with you today about a potential gap in your care

If you have diabetes, its important to speak with your doctor about the best ways to manage your condition

- Common long-term effects of diabetes can include reduced heart rate function
- Statin therapy may help prevent this complication
- Since we do not see a statin medication in your profile, we can contact your doctor to review this information
- Your doctor will determine if a statin therapy is appropriate for you

An Integrated Approach

- Our history with CVS Caremark has focused us on outcomes
- We have built clinical programs into our workflow
- This ensures that performing clinical programs is a key priority

We are now leveraging these “clinical pipes” with other PBMs and health plans

Continuing to Innovate in Our Patient Communications and Adherence Programs

Pharmacy Innovation Team Focuses on …		… and Has Developed Dozens of Programs, Including:		
Right Outreach	Right Patient	ScriptSync	Mobile Rx Pickup	Insurance Card Texts
Right Medium	Right Time	Rx Expiration Texts	Mobile In-store Beacons	30- to 90-Day Switch Texts

We have a suite of personalized adherence tools to better deliver clinical programs

ScriptSync Drives Adherence Through Improved Convenience

Patients picking up multiple prescriptions per month can now coordinate refills and improve adherence



73%

accept offer to enroll

1.5M+

enrolled since launch

6 percentage point

lift in medication possession after enrollment

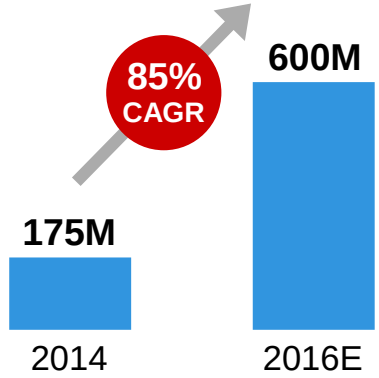
Allows us to solve a consumer pain point AND provide added value to PBM and health plan partners

Refer to endnotes for additional information.

Our Text Alerts Are Easier for Patients and Our Teams

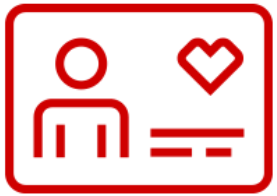
We are Driving Adoption …

Adherence text messages sent



… and an Innovative, Integrated Experience

Your insurance card is not on file



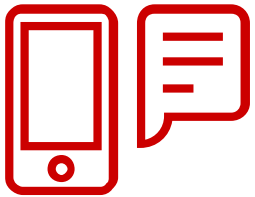
Text us a photo of your card

Your Rx may have expired



Text us to contact your doctor

Restock on-hand medications for back-to-school

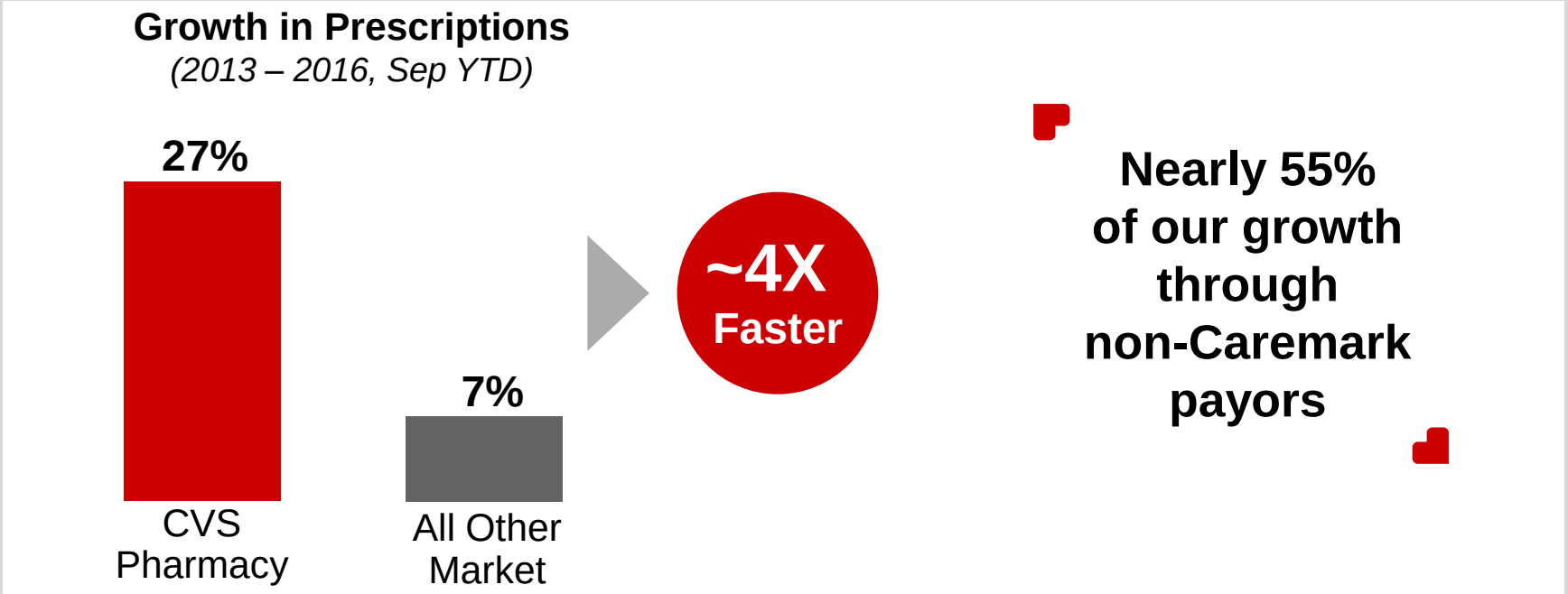


Text us to refill your medication

We own the last mile and understand our consumers

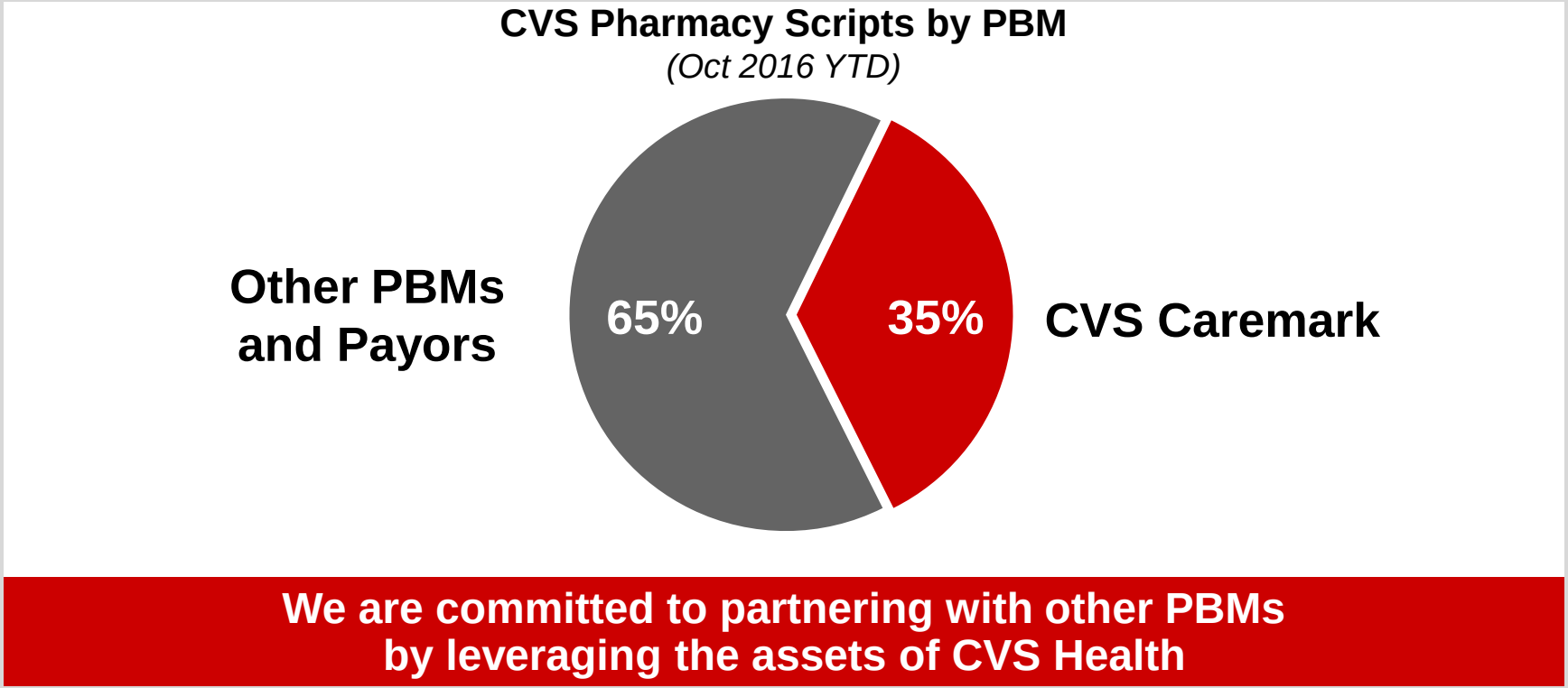
Refer to endnotes for additional information.

Because of Our Unique Capabilities, We Have Grown Faster Than the Market



Refer to endnotes for additional information.

A Majority of Our Scripts Are Non-Caremark



We are committed to partnering with other PBMs by leveraging the assets of CVS Health

Agenda

Retail Pharmacy

Partnering Through Enterprise Capabilities

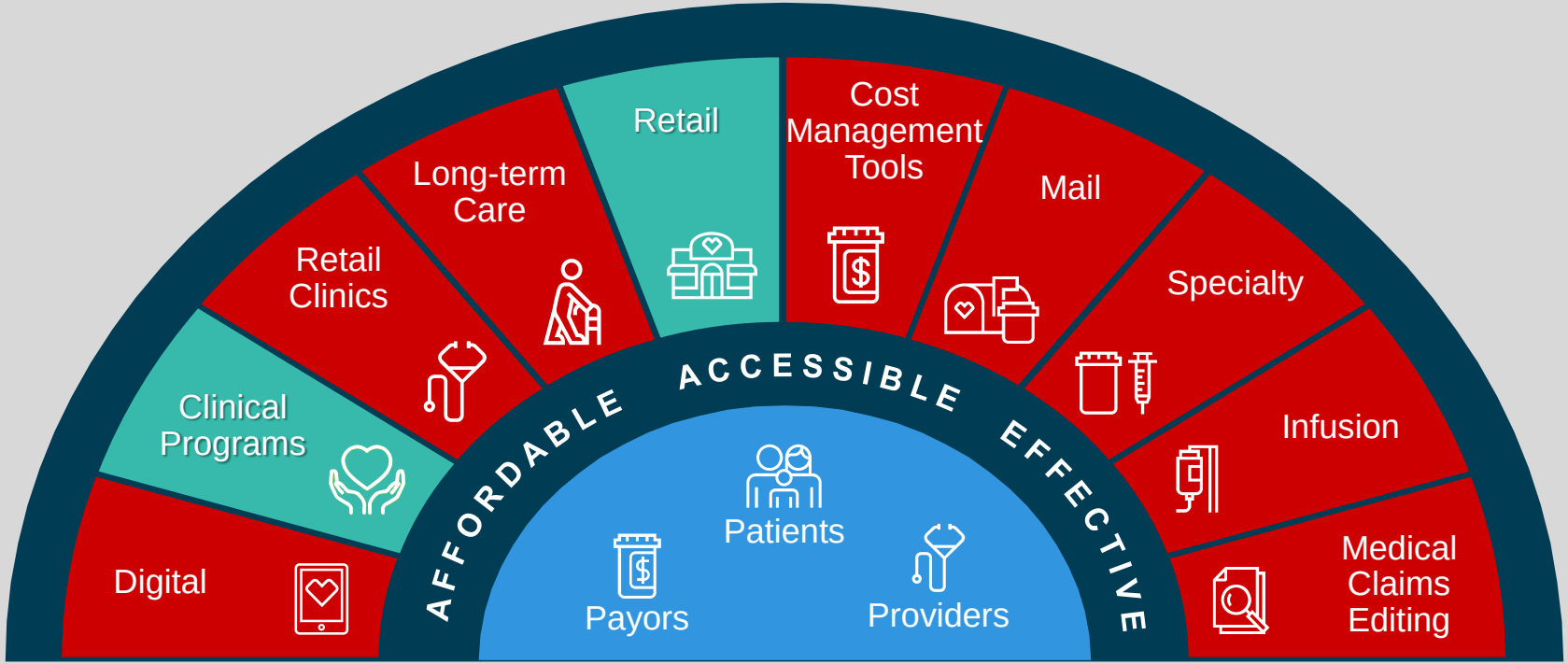
Update on Key Assets

Front Store Growth Strategy

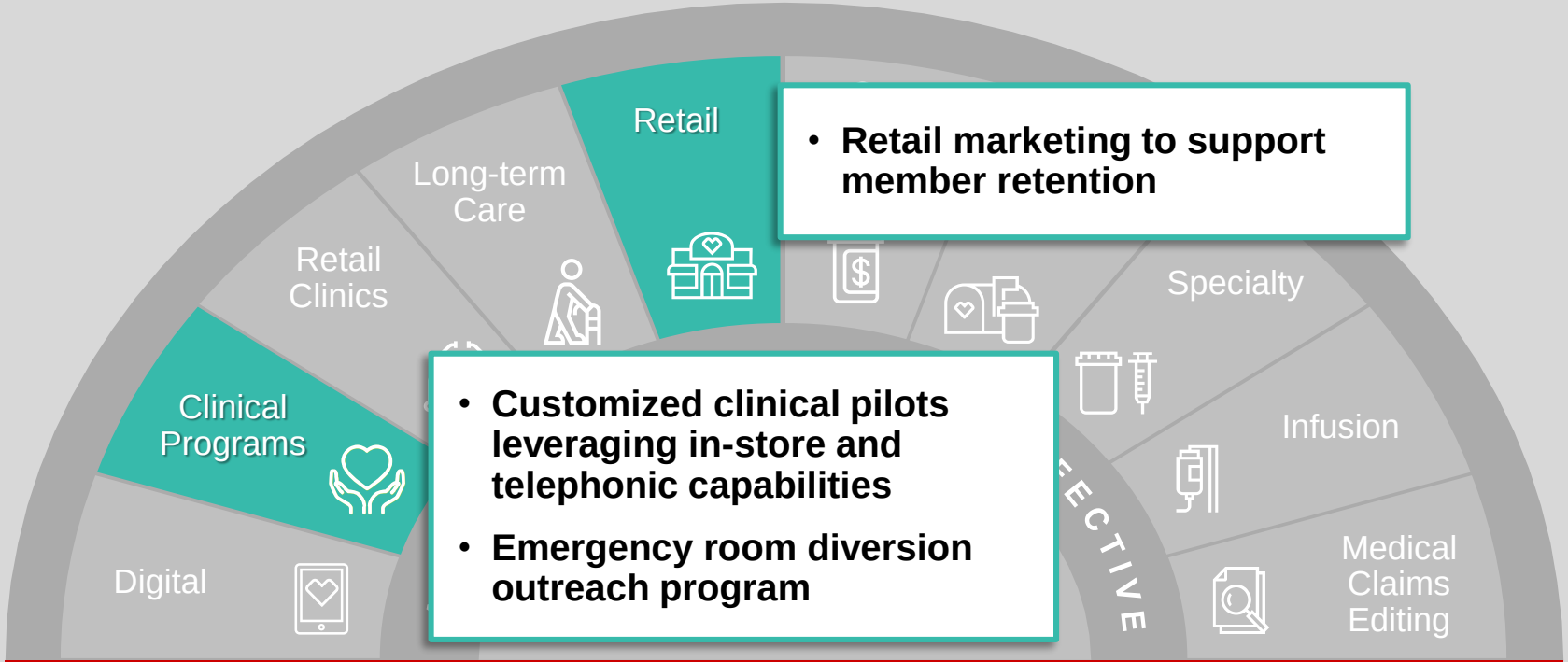
Bringing Together Assets From All of CVS Health to Win With PBMs and Health Plans



We Deployed Select Assets for a Non-PBM Medicaid Payor Seeking to Drive Cost Efficiencies and Retention

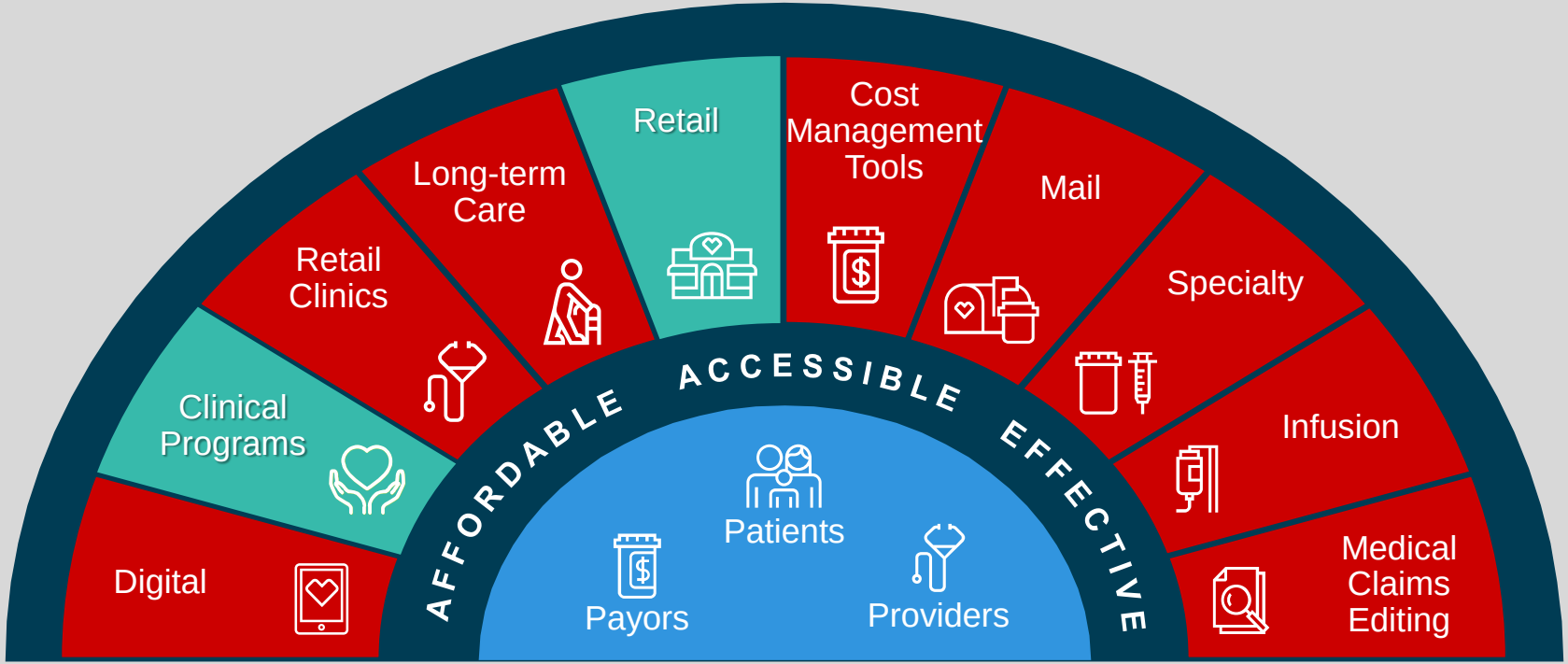


Non-PBM Medicaid Payor Saw Improved Clinical Results

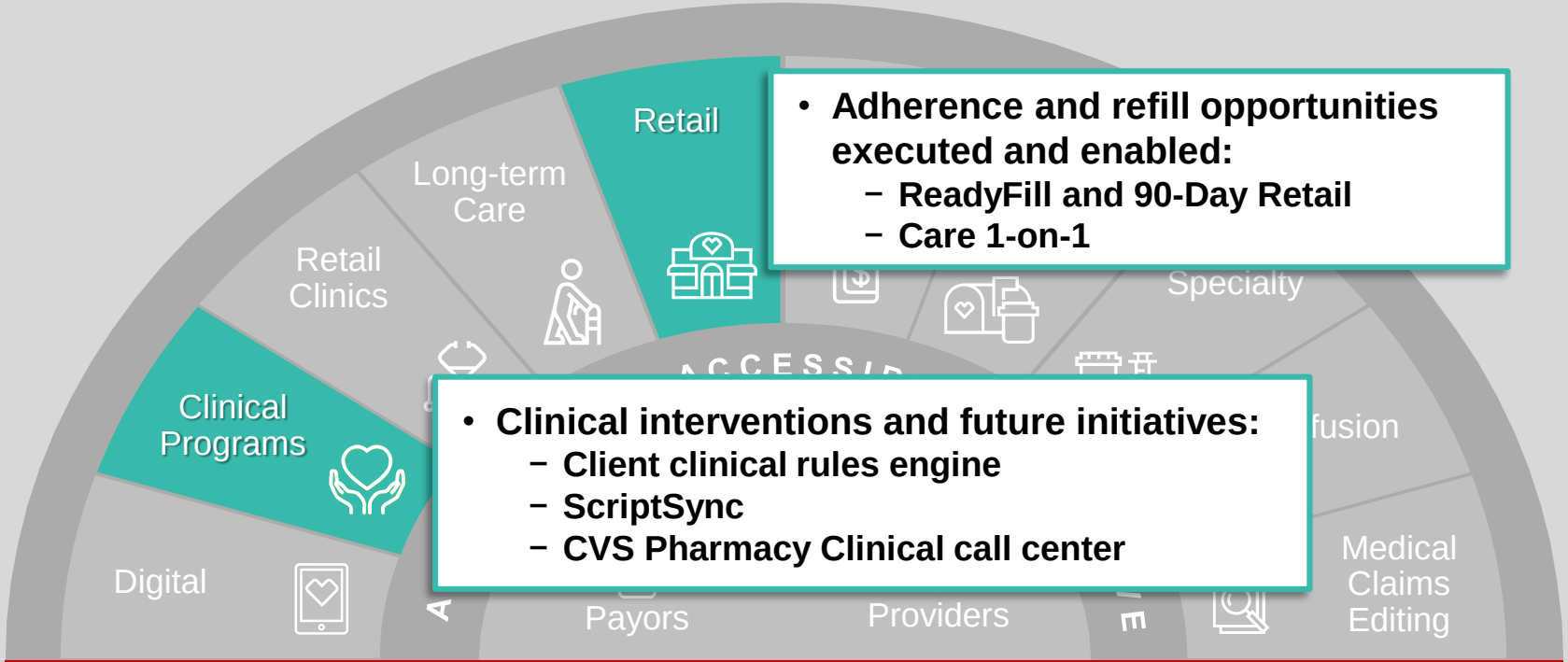


Closed gaps for patients at a rate 2X higher than client expectations

For Another Non-PBM Client, We Used Our Clinical Programs to Improve Star Ratings



Non-PBM Client Achieved Improvements in Star Ratings Across Multiple Plans



- **Adherence and refill opportunities executed and enabled:**
  - **ReadyFill and 90-Day Retail**
  - **Care 1-on-1**

- **Clinical interventions and future initiatives:**
  - **Client clinical rules engine**
  - **ScriptSync**
  - **CVS Pharmacy Clinical call center**

Assisted plan in improving Star rating from 3 to 4 and achieved 4% increase in adherence

CVS Health Is Launching a Strategic Relationship With Optum



CVS Health Is Launching a Strategic Relationship With Optum

Partnering to Offer Employers a New Pharmacy Network Option

- Fill 90-day scripts at any CVS Pharmacy or via OptumRx home delivery
- Help improve consumer engagement and help health outcomes by leveraging CVS Pharmacy's unmatched clinical capabilities
- Going forward, Optum and CVS Pharmacy will continue to develop new pharmacy and health solutions leveraging our suite of assets

CVS pharmacy™ + OPTUM™

Goal

By continuing to partner with other PBMs and health plans we will grow our prescription share

Agenda

Retail Pharmacy

Partnering Through Enterprise Capabilities

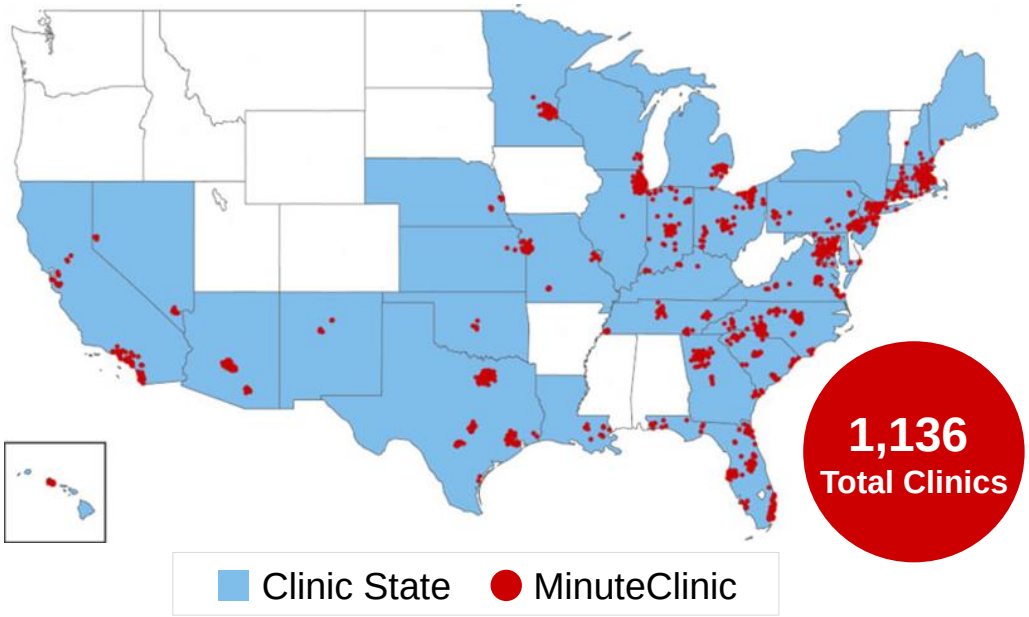
Update on Key Assets

- **MinuteClinic**
- Omnicare
- Target

Front Store Growth Strategy

MinuteClinic Footprint Covers Most Populous U.S. Areas

- Fully integrated 79 Target clinic locations
- > 50% retail clinic market share
- Approximately three times larger footprint than closest competitor



More than 50% of the U.S. population is within 10 miles of a MinuteClinic

Refer to endnotes for additional information.

MinuteClinic Enhances the CVS Value Proposition to Patients, Providers, Payors and PBMs

Low-Cost Care	Population Health	Patient Engagement and Access
• Up to 80% less expensive than other sites of care • MinuteClinic Savings Strategy can further reduce costs	• Address gaps in care with providers, payors and PBMs • Provide health risk assessments/biometric screenings • Electronic record integration with health systems	**Investing in:** • Scheduling tools and walk-in options • Expansion of primary care services • Telehealth

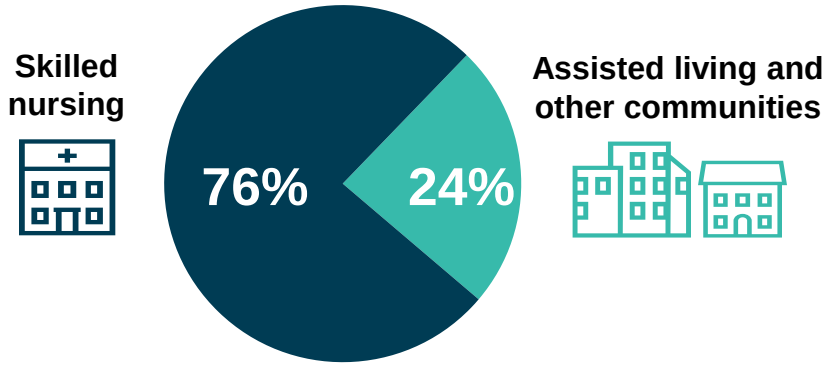
Agenda

- Retail Pharmacy
- Partnering Through Enterprise Capabilities
- Update on Key Assets
  - MinuteClinic
  - **Omnicare**
  - Target
- Front Store Growth Strategy

Omnicare Has Significant Growth Opportunities

Omnicare

Share of Prescriptions
(Oct 2016 YTD)



Opportunities

- Achieving operational excellence across Omnicare footprint
- Rolling out industry-leading transitions experiences
- Serving assisted living and independent living communities with new integrated capabilities

Refer to endnotes for additional information.

We Have Applied CVS Operational Excellence Across the Omnicare Footprint

STAT Fill

- STAT Fill Services now leverage national CVS Pharmacy network for urgent medication needs
- 77% of Omnicare-served senior living communities are within three miles of a CVS Pharmacy

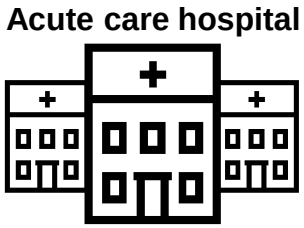


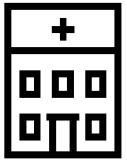
Additional Operational Improvements

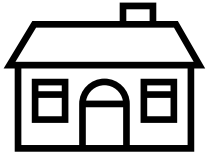
- New workflow and intake process for assisted living move-ins
- Technology upgrades and investments including:
  - Labor scheduling tools
  - Prescribing enhancements to staff workflow



Investments in Transitions Enhances Our Market Positioning







Reinvented admission experience	Goal of reducing medication transfer time from ten hours to two and a half hours
Transitions of care solution	Diverting hospital readmissions through greater pharmacy care oversight

These new services will further reduce hospital readmissions for clients

Initiatives in Flight to Accelerate Senior Living Growth

Assisted Living

Bringing CVS Pharmacy expertise to accelerate growth through:

- Increased resident engagement (B2C)
- Improved operating processes that enhance client relationships (B2B)
  - We have learned we must help communities understand the value of all residents filling with one pharmacy



Independent Living

Rolling out independent living pharmacy offering:

- Working with independent living providers on phase 1 of roll-out
- Bringing together best of CVS Pharmacy and Omnicare, e.g.,
  - Medication delivery
  - Care 1-on-1



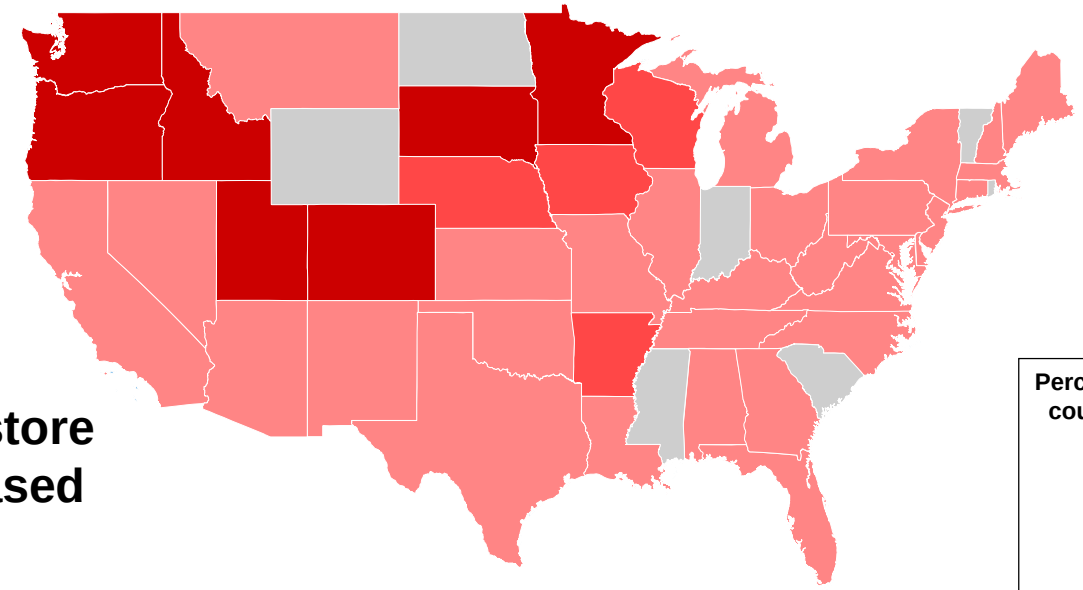
Agenda

- Retail Pharmacy
- Partnering Through Enterprise Capabilities
- Update on Key Assets
  - MinuteClinic
  - Omnicare
  - **Target**
- Front Store Growth Strategy

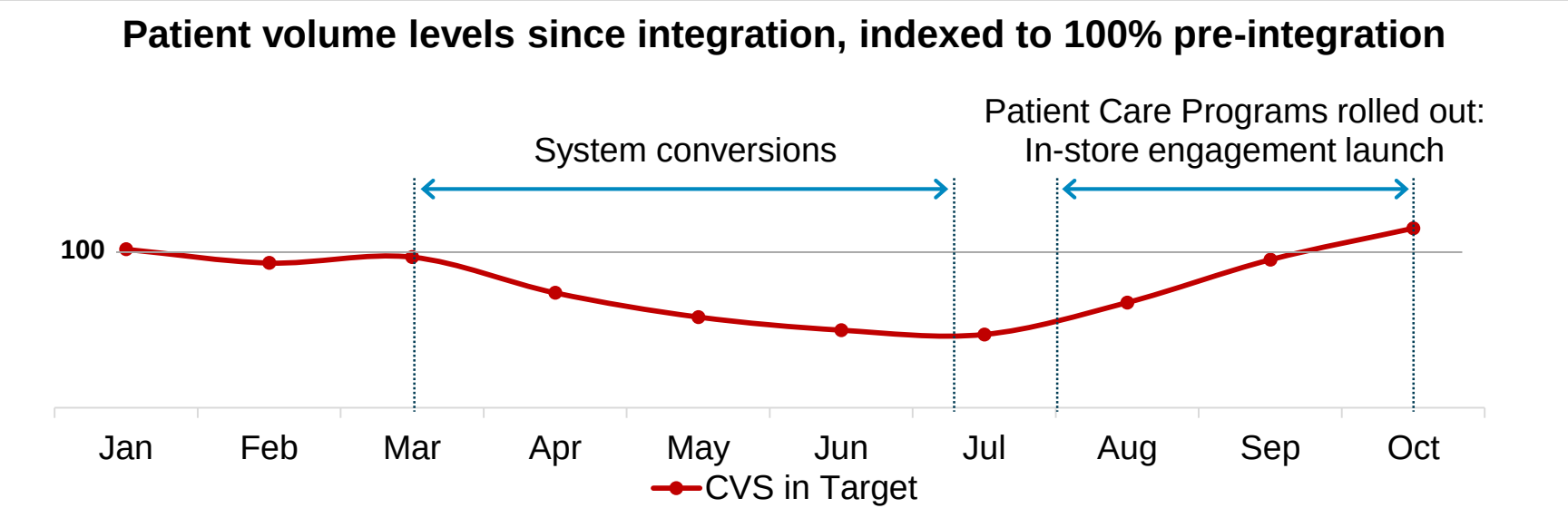
Acquisition of Target Pharmacies Is Helping Fill in Our Geographic Footprint

Nationwide store count increased

>20%



Successfully Completed Our Integration of Target Pharmacies …



After systems conversion, Target patient volumes are above pre-integration

… and Are Already Driving Traffic and Business Into Target, With More to Come in 2017

Proprietary Program Growth
(prescription growth, 2017E vs. 2016E)

Patient Care Programs **2.2x**

Maintenance Choice **1.4x**

Patient and In-Store Experience

Successful in-store engagements to accelerate in 2017





Agenda

Retail Pharmacy

Partnering Through Enterprise Capabilities

Update on Key Assets

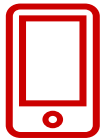
Front Store Growth Strategy

We Believe the Role of the Front Store Is to Support Our Pharmacy and Drive Margin

- Leverage front store to **enhance pharmacy customer experience**
- Continue to **elevate Health, Healthy Food and Beauty**
- Help customers **discover innovative products**



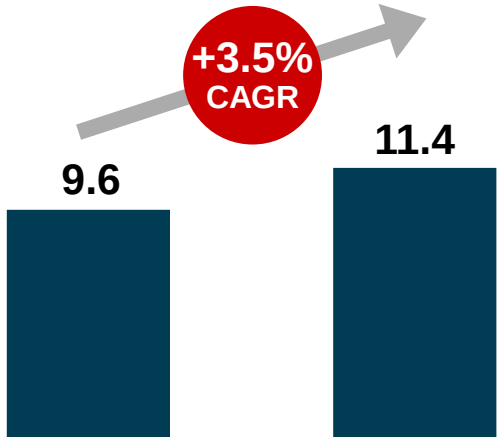
- **Expand personalization** to deepen relationships with our most loyal customers
- **Invest in digital** to deliver convenience to our customers



Success in High Margin Health & Beauty Categories

Health & Beauty Sales

($, billions)



	2011	2016E
Market share	11.6%	11.7%

Key Takeaways

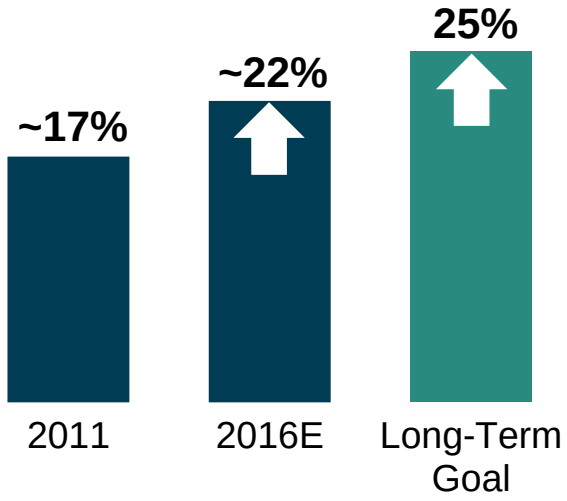
- These are categories where we **have a right to win**, **most closely tied to pharmacy**
- Projected to **grow 2X faster** than General Merchandise & Edibles over the next 3 years
- Margin is **1.7X higher** than other categories



Refer to endnotes for additional information.

Continued Success in Store Brands

Store Brands Penetration



Driving Innovation

Rebranding and messaging of Health



OTC-on-the-go packs at the Pharmacy



Exclusive MUA offering



Gold Emblem Abound



Cold and Flu single serve cups



Store Brands penetration up 300 basis points since 2014

Refer to endnotes for additional information.

We Are Focusing on Key Categories and on Personalization and Digital to Drive Profitable Growth

1. **Better Health Made Easy**



2. **Elevate Beauty**



3. **MyCVS Store**



4. **Customer-Driven Personalization**



5. **Digital Innovation**



In-store | **Digital and personalization**

Our 5 Pillars Are Focused on 2 Areas – Shifting In-Store Focus and Expanding Personalization and Digital

1. **Better Health Made Easy**



2. **Elevate Beauty**



3. **MyCVS Store**



4. **Customer-Driven Personalization**

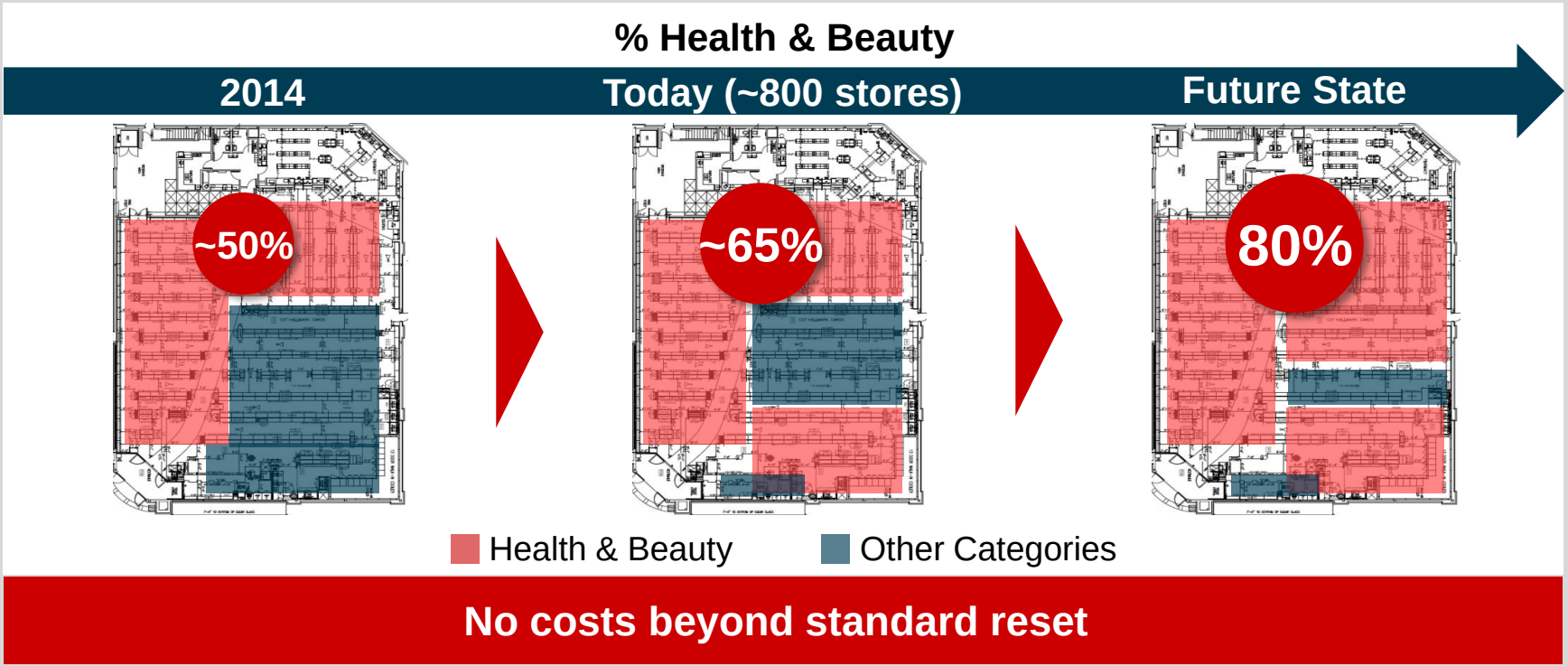


5. **Digital Innovation**



In-store | **Digital and personalization**

We Are Updating Our Stores by Growing Core Categories



Expanding and Elevating Our Health Assortment



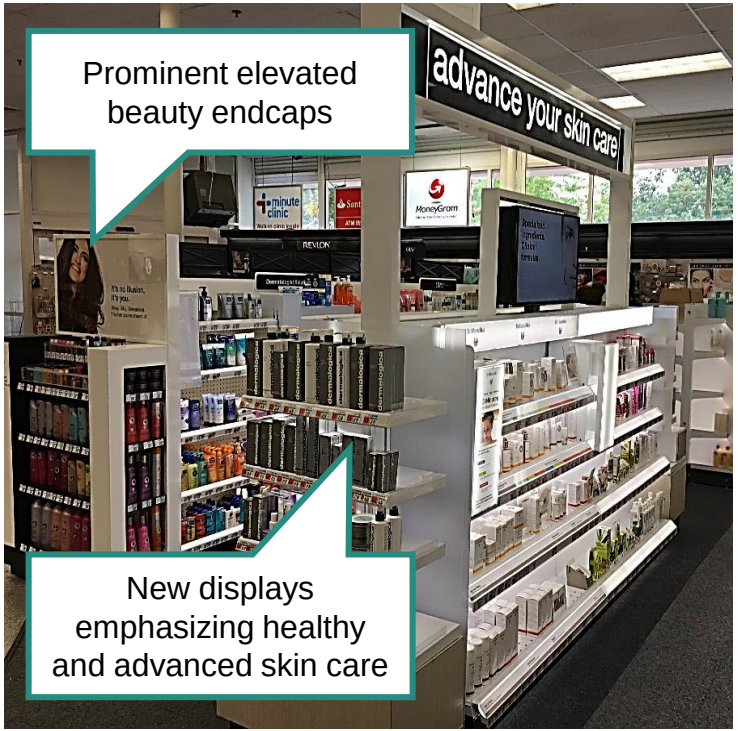


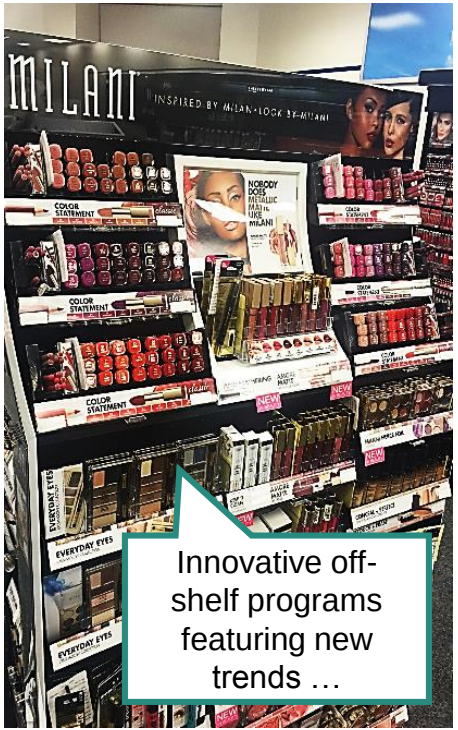


Expanding and Elevating Our Healthy Food Selection



Expanding and Elevating Beauty

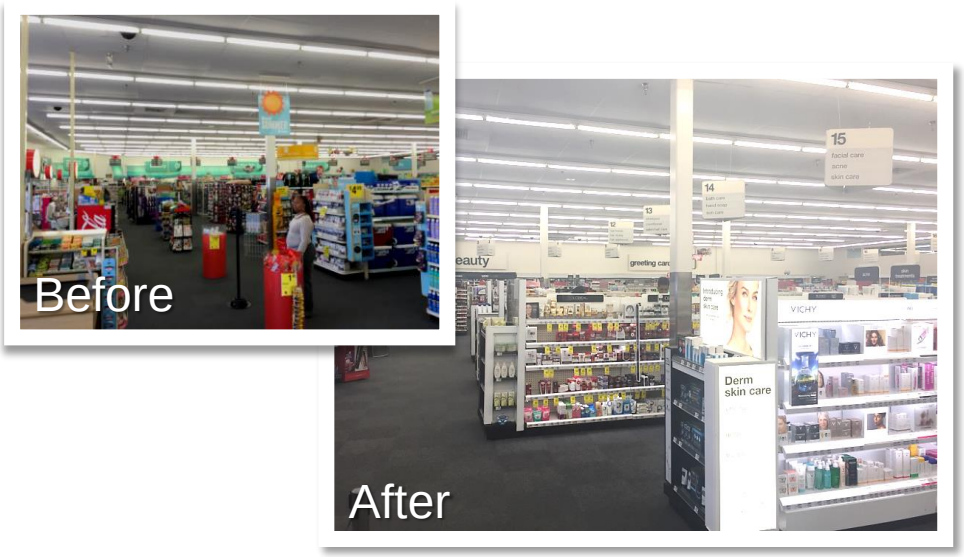






We Are Seeing Positive Run-Rate Results in 400 Stores

Sample Store Reset



Run-Rate Results

Consumables	+9%
Beauty	+4%
Health	+2%
General Merchandise	-6%
Front Store Total	**+2.5%**

Potential to scale-up resets in 3,000 stores over next several years

Refer to endnotes for additional information.

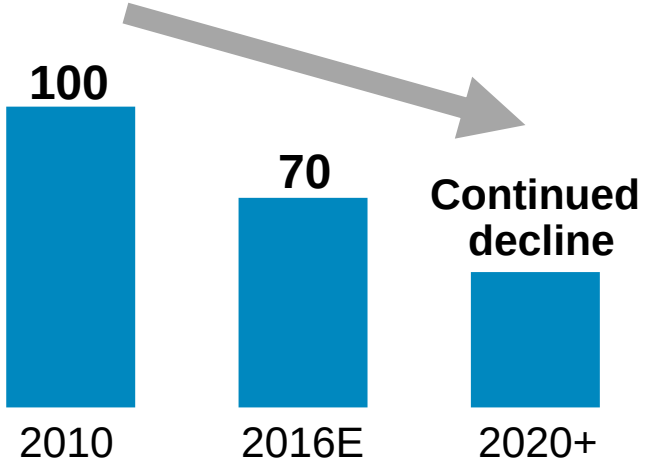
Rollout Continues to Be Successful

2015	2016	2017 and beyond
Florida	**California**	**All Hispanic Markets**
		
• 13-store pilot in South FL market	• 11-store pilot in Southern CA market	• Scale successful elements, including a health focus, in markets over-indexing Hispanic

Promising results demonstrate scalability

Traditional Circular Vehicles Are in Decline

CVS Circular Distribution Indexed to 2010



Our Focus

- Shifting promotional dollars from mass to digital and personalized
- Targeting top customers who drive majority of our margin

We are leading the market by scaling back on our circular promotions

Refer to endnotes for additional information.

We Are Optimizing Our Approach to Promotions and Investing in Personalization

From



- Readership down
- Pages and blocks down

To



- Social media (Facebook, Pinterest) up
- Digital circular (Flipp) up
- Personalized messages up

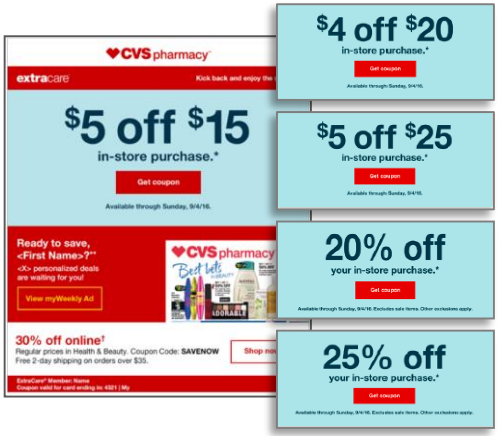
Personalization Helps Us Deliver the Right Messages to the Right Customers

Predictive Modeling



+

Offer Optimization



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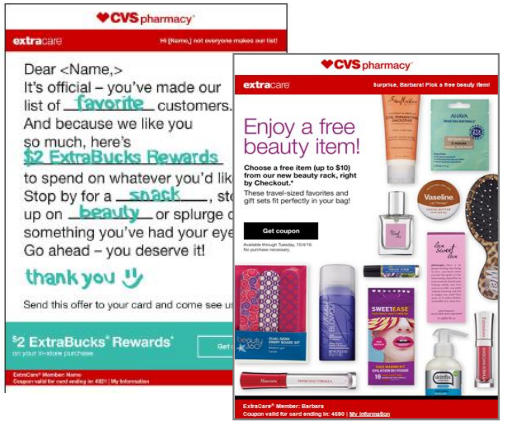
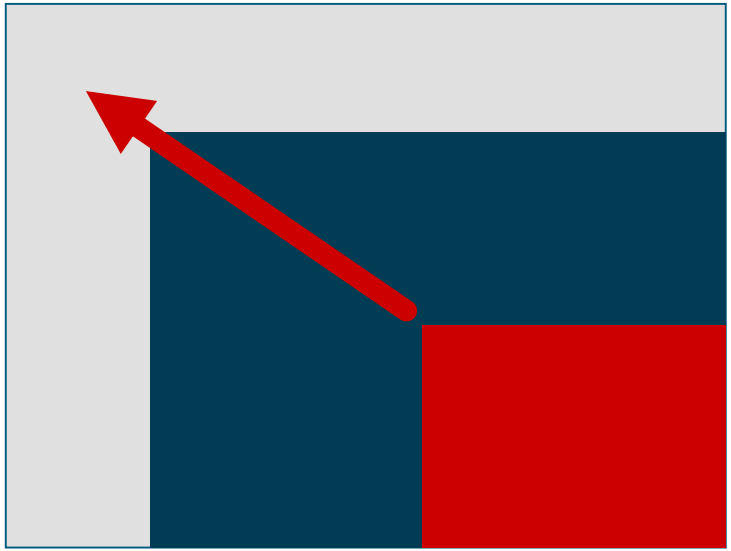
Tailored Creative



Expanding personalization's reach to accelerate the shift from mass

Personalization Through ExtraCare Is Effective at Growing Customer Value

ExtraCare Members



Addressable Over Time

Likely to Engage

Engaged

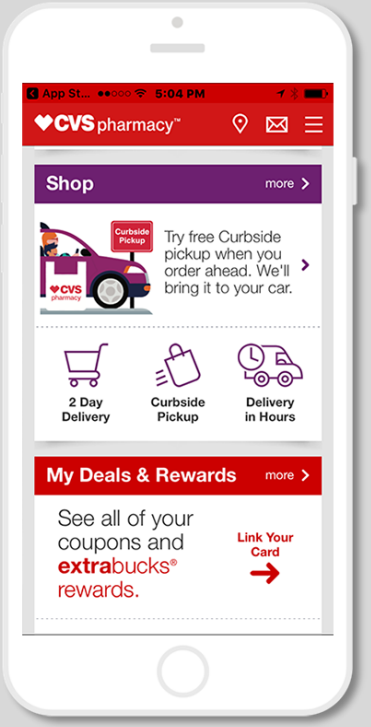


Annual margin

3.6X greater …

… and growing faster

We Have Invested in Digital While Leveraging Our 9,600+ Store Locations



Omnichannel Innovations



- **Front Store and CVS Curbside**
  - Rx Curbside pilot coming soon
  - Front Store available in 4,000 stores



- **On Demand In Hours**
  - Front Store pilot in process
  - Rx (with Front Store) pilot coming soon

Front Store Future Plans

- Grow our profitable Health, Healthy Food and Beauty categories
- Continue to deliver innovative products and digital experiences to our customers
- Expand personalization to build stronger relationships with loyal customers



Today's Key Takeaways

Driving More Affordable, Accessible and Effective Care

Driving Outcomes and Savings	Though our unmatched clinical programs and digital innovations, we make it easier for patients to save time, money and stay healthy
Providing the Front Door and the Last Mile	Face-to-face patient interactions give us unique insights, and provide frequent opportunities to help shape behavior
Best Partner for PBMs and Health Plans	By offering a menu of pharmacy, long-term care, MinuteClinic and infusion services, we can be the partner of choice for all payors
Integrated Pharmacy Care	We can deliver best-in-class clinical programs to help drive adherence, close gaps in care and improve health outcomes
Positioned for L-T Enterprise Growth	We will continue to capitalize on the *retailization* of health care, delivering differentiation in the market through our enterprise assets



Capitalizing on the *Retailization* of Health Care

Endnotes

Slide 4

1. Compares 2016 90-day adjusted scripts from January through September to 2013 January through September. 2016 includes Target. Source: IMS. Retail scripts include the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include three times the amount of product days supplied compared to a normal 30-day prescription.

Slide 5

1. Reflects 90 day adjusted scripts filled at all CVS retail locations. Source: CVS Health internal data analysis. Retail scripts include the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions.

Slide 6

1. Reflects unadjusted scripts filled at all CVS retail locations by Caremark PBM members in the last twelve months through October 2016. Source: CVS Health internal data analysis.

Slide 9

1. Retail ScriptSync™ Lift in Medical Possession Ratio: internal data analysis based on first 4 months of program enrollment.
2. Days on Hand Ratio measures how adherent patients are to all of their medications and number of days a patient had access to medications compared to the number of days in the measurement period.

Slide 10

1. Texts expected for 2016 through year end. Source: CVS Health internal data analysis.

Slide 11

1. Total CVS Pharmacy reflects prescriptions for 90 day adjusted scripts January through September for 2013 compared with January through September for 2016. 2016 CVS includes Target. Total market reflects 90 day adjusted scripts January through September for 2013 compared with January through September for 2016 excluding CVS Pharmacy. Source: IMS. Retail scripts include the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions.

Endnotes

Slide 22

1. MinuteClinic count as of December 8, 2016.

Slide 25

1. Omnicare prescriptions year-to-date October, 2016. Source: CVS Health internal data analysis.

Slide 35

1. Market is defined as remainder of Food/Drug/Mass; Compares 2016 year-to-date through August to January 2011 through August 2011. Source: IRI, CVS Health internal data analysis.
2. Source: CVS Health internal data analysis, IRI, Mintel market reports, Global-Markets reports, ITE Beauty.

Slide 36

1. Based on Store Brand Drug Store market. 2016 year-to-date through August. Source: CVS Health internal data analysis; IRI.

Slide 43

1. Incremental lift based on 2015 full store resets vs. control stores, steady-state measurement; Source: CVS Health internal data analysis.

Slide 45

1. Sources: State of the News Media, The Pew Research Center, http://www.journalism.org/2015/04/29/newspapers-fact-sheet/, April 2015; The State of Radio, Newspapers & Magazines, The Video Advertising Bureau, www.thevab.com, November 2015.

Driving More Affordable, Accessible and Effective Care

Larry Merlo
President & Chief Executive Officer

CVS Health

Today's Key Takeaways

Driving More Affordable, Accessible and Effective Care

Driving Outcomes and Savings	In an era of rising costs, we are the optimal partner to deliver savings and help improve outcomes for health care stakeholders
Providing the Front Door and the Last Mile	Pharmacy has the highest frequency of interaction, and our unmatched patient touchpoints across the enterprise help shape behavior
Best Partner for PBMs and Health Plans	We can partner with all PBMs and health plans, leveraging our enterprise assets and capabilities to meet their individual needs
Integrated Pharmacy Care	Our exclusive programs are seamlessly integrated through our Health Engagement Engine, providing better member experience and results
Positioned for L-T Enterprise Growth	Maximize shareholder value with an enterprise mindset; generate strong cash flow and employ a disciplined approach to capital allocation

Reconciliation of Non-GAAP Items

A reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

2016 GUIDANCE

CVS Health is providing non-GAAP information that excludes certain items because of the nature of these items and the impact they have on the analysis of underlying business performance and trends. Management believes that providing this information enhances investors' understanding of the company's performance. This information should be considered in addition to, rather than as a substitute for, information prepared in accordance with GAAP. CVS Health's definitions of these non-GAAP items may not be comparable to similarly-titled measurements reported by other companies.

The following reconciliations contain forward-looking information. All forward-looking information involves risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking information for a number of reasons as described in our Securities and Exchange Commission filings, including those set forth in the Risk Factors section and under the section entitled "Cautionary Statement Concerning Forward-Looking Statements" in our most recently filed Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

ADJUSTED EARNINGS PER SHARE

Adjusted Earnings per Share, or Adjusted EPS, is income from continuing operations excluding the impact of the amortization of intangible assets, acquisition-related transaction and integration costs, acquisition-related bridge financing costs, a charge related to a disputed 1999 legal settlement, loss on early extinguishment of debt and charge in connection with store rationalization, divided by the company's weighted average diluted shares outstanding. The Company believes that this measure enhances investors' ability to compare the Company's past financial performance with its current performance. The following is a reconciliation of income before income tax provision to Adjusted EPS:

FULL YEAR

	Year Ended December 31,		
	2016E		2015
In millions, except per share amounts	**Low**	**High**	Actual
Income before income tax provision [1]	**$ 8,553**	**$ 8,654**	$ 8,616
Non-GAAP adjustments:			
Amortization of intangible assets	**798**	**798**	611
Acquisition-related transaction and integration costs [1] [2]	**207**	**207**	220
Loss on early extinguishment of debt	**643**	**643**	-
Charge related to a disputed 1999 legal settlement	**3**	**3**	90
Charge in connection with store rationalization [3]	**35**	**35**	-
Acquisition-related bridge financing costs [2]	**-**	**-**	52
Adjusted income before income tax provision	**10,239**	**10,340**	9,589
Adjusted income tax provision	**3,973**	**4,012**	3,750
Adjusted income from continuing operations	**6,266**	**6,328**	5,839
Net income attributable to noncontrolling interest	**(2)**	**(2)**	(2)
Adjusted income allocable to participating securities	**(32)**	**(32)**	(27)
Adjusted income from continuing operations attributable to CVS Health	**$ 6,232**	**$ 6,294**	$ 5,810
Weighted average diluted common shares outstanding	**1,080**	**1,080**	1,126
Adjusted EPS	**$ 5.77**	**$ 5.83**	$ 5.16

(1) Estimated integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target are excluded from the period from October 1, 2016, to December 31, 2016.
(2) Costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.
(3) Estimated asset impairment charge in connection with planned store closures related to our enterprise streamlining initiative.

A reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

FREE CASH FLOW

For internal comparisons, management finds it useful to assess year-over-year cash flow performance using Free Cash Flow. CVS Health defines Free Cash Flow as net cash provided by operating activities less net additions to properties and equipment (i.e., additions to property and equipment plus proceeds from sale-leaseback transactions). The following is a reconciliation of net cash provided by operating activities to Free Cash Flow:

	Year Ended December 31,		
	2016E		2015
In millions	**Low**	**High**	Actual
Net cash provided by operating activities [(1)]	**$ 9,075**	**$ 9,270**	$ 8,412
Subtract: Additions to property and equipment	**(2,550)**	**(2,500)**	(2,367)
Add: Proceeds from sale-leaseback transactions	**275**	**230**	411
Free Cash Flow	**$ 6,800**	**$ 7,000**	$ 6,456

(1) For the year ending December 31, 2016, net income, a component of net cash provided by operating activities, includes $186 million of pre-tax acquisition-related integration costs (excluding depreciation) recorded during the nine months ended September 30, 2016. For the year ended December 31, 2015, net income, a component of net cash provided by operating activities, includes $52 million of pre-tax acquisition-related bridge financing costs and $208 million of pre-tax acquisition-related transaction and integration costs (excluding depreciation). The costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.

Reconciliation of Non-GAAP Items

A reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

2017 GUIDANCE

CVS Health is providing non-GAAP information that excludes certain items because of the nature of these items and the impact they have on the analysis of underlying business performance and trends. Management believes that providing this information enhances investors' understanding of the company's performance. This information should be considered in addition to, rather than as a substitute for, information prepared in accordance with GAAP. CVS Health's definitions of these non-GAAP items may not be comparable to similarly-titled measurements reported by other companies.

The following reconciliations contain forward-looking information. All forward-looking information involves risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking information for a number of reasons as described in our Securities and Exchange Commission filings, including those set forth in the Risk Factors section and under the section entitled "Cautionary Statement Concerning Forward-Looking Statements" in our most recently filed Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

ADJUSTED EARNINGS PER SHARE

Adjusted Earnings per Share, or Adjusted EPS, is income from continuing operations excluding the impact of the amortization of intangible assets, loss on settlement of defined benefit plan, change in connection with store rationalization, acquisition-related transaction and integration costs, acquisition-related bridge financing costs, loss on early extinguishment of debt and a charge related to a disputed 1999 legal settlement, divided by the company's weighted average diluted shares outstanding. The Company believes that this measure enhances investors' ability to compare the Company's past financial performance with its current performance. The following is a reconciliation of income before income tax provision to Adjusted EPS:

FIRST QUARTER

	Three Months Ended March 31,		
	2017E		2016
In millions, except per share amounts	**Low**	**High**	Actual
Income before income tax provision [1]	**$ 1,376**	**$ 1,475**	$ 1,893
Non-GAAP adjustments:			
Amortization of intangible assets	**200**	**200**	199
Charge in connection with store rationalization [2]	**230**	**230**	-
Acquisition-related transaction and integration costs [1] [3]	**-**	**-**	61
Charge related to a disputed 1999 legal settlement	**-**	**-**	3
Adjusted income before income tax provision	**1,806**	**1,905**	2,156
Adjusted income tax provision	**688**	**726**	847
Adjusted income from continuing operations	**1,118**	**1,179**	1,309
Net income attributable to noncontrolling interest	**-**	**-**	(1)
Adjusted income allocable to participating securities	**(6)**	**(6)**	(7)
Adjusted income from continuing operations attributable to CVS Health	**$ 1,112**	**$ 1,173**	$ 1,301
Weighted average diluted common shares outstanding	**1,041**	**1,041**	1,099
Adjusted EPS	**$ 1.07**	**$ 1.13**	$ 1.18

(1) Estimated integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target for the period from October 1, 2016, to December 31, 2016, as well as integration costs related to Omnicare for the first quarter 2017 are excluded from estimates.
(2) Estimated lease obligation charge in connection with planned store closures related to our enterprise streamlining initiative.
(3) Costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.

Reconciliation of Non-GAAP Items

A reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

FULL-YEAR

In millions, except per share amounts	Year Ending December 31, 2017E Low	2017E High	2016E Midpoint
Income before income tax provision [1]	**$ 8,564**	**$ 8,862**	$ 8,603
Non-GAAP adjustments:			
Amortization of intangible assets	**825**	**825**	798
Loss on settlement of defined benefit plan	**220**	**220**	-
Charge in connection with store rationalization [2]	**230**	**230**	35
Acquisition-related transaction and integration costs [1] [3]	**-**	**-**	207
Loss on early extinguishment of debt	**-**	**-**	643
Charge related to a disputed 1999 legal settlement	**-**	**-**	3
Adjusted income before income tax provision	**9,839**	**10,137**	10,289
Adjusted income tax provision	**3,827**	**3,953**	3,992
Adjusted income from continuing operations	**6,012**	**6,184**	6,297
Net income attributable to noncontrolling interest	**(2)**	**(2)**	(2)
Adjusted income allocable to participating securities	**(25)**	**(25)**	(32)
Adjusted income from continuing operations attributable to CVS Health	**$ 5,985**	**$ 6,157**	$ 6,263
Weighted average diluted common shares outstanding	**1,038**	**1,038**	1,080
Adjusted EPS	**$ 5.77**	**$ 5.93**	$ 5.80

(1) Estimated integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target for the period from October 1, 2016, to December 31, 2016, as well as integration costs related to Omnicare for the full-year 2017 are excluded from estimates.

(2) Estimated asset impairment charge for the year ending December 31, 2016, and estimated lease obligation charge for the year ending December 31, 2017. The charges are in connection with planned store closures related to our enterprise streamlining initiative.

(3) Costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.

Reconciliation of Non-GAAP Items

A reconciliation of non-GAAP items disclosed for the respective periods to their most directly comparable GAAP measures.

FREE CASH FLOW

For internal comparisons, management finds it useful to assess year-over-year cash flow performance using Free Cash Flow. CVS Health defines Free Cash Flow as net cash provided by operating activities less net additions to properties and equipment (i.e., additions to property and equipment plus proceeds from sale-leaseback transactions). The following is a reconciliation of net cash provided by operating activities to Free Cash Flow:

	Year Ending December 31,		
	2017E		2016
In millions	**Low**	**High**	Midpoint
Net cash provided by operating activities [(1)]	**$ 7,700**	**$ 8,600**	$ 9,172
Subtract: Additions to property and equipment	**(2,000)**	**(2,400)**	(2,525)
Add: Proceeds from sale-leaseback transactions	**300**	**200**	253
Free Cash Flow	**$ 6,000**	**$ 6,400**	$ 6,900

(1) For the year ending December 31, 2016, net income, a component of net cash provided by operating activities, includes $186 million of pre-tax acquisition-related integration costs (excluding depreciation) incurred during the nine months ended September 30, 2016. The costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target.