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

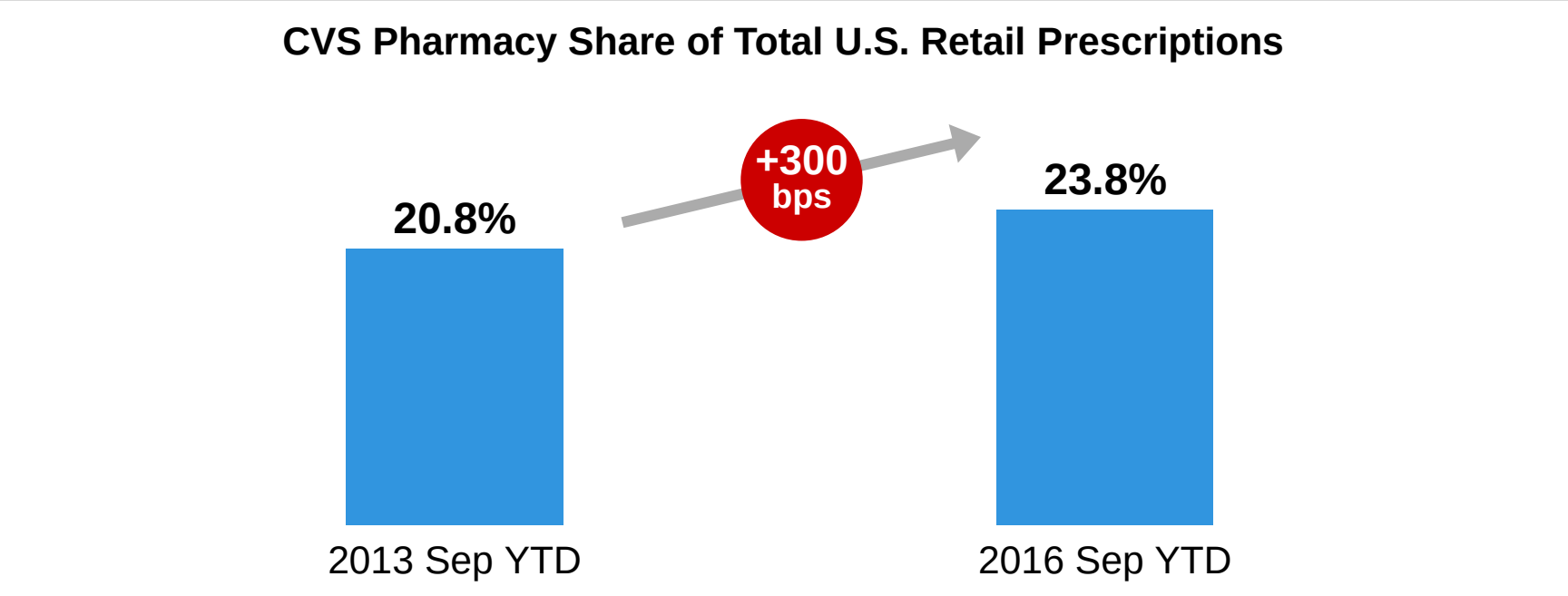
Retail Pharmacy at a Glance

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



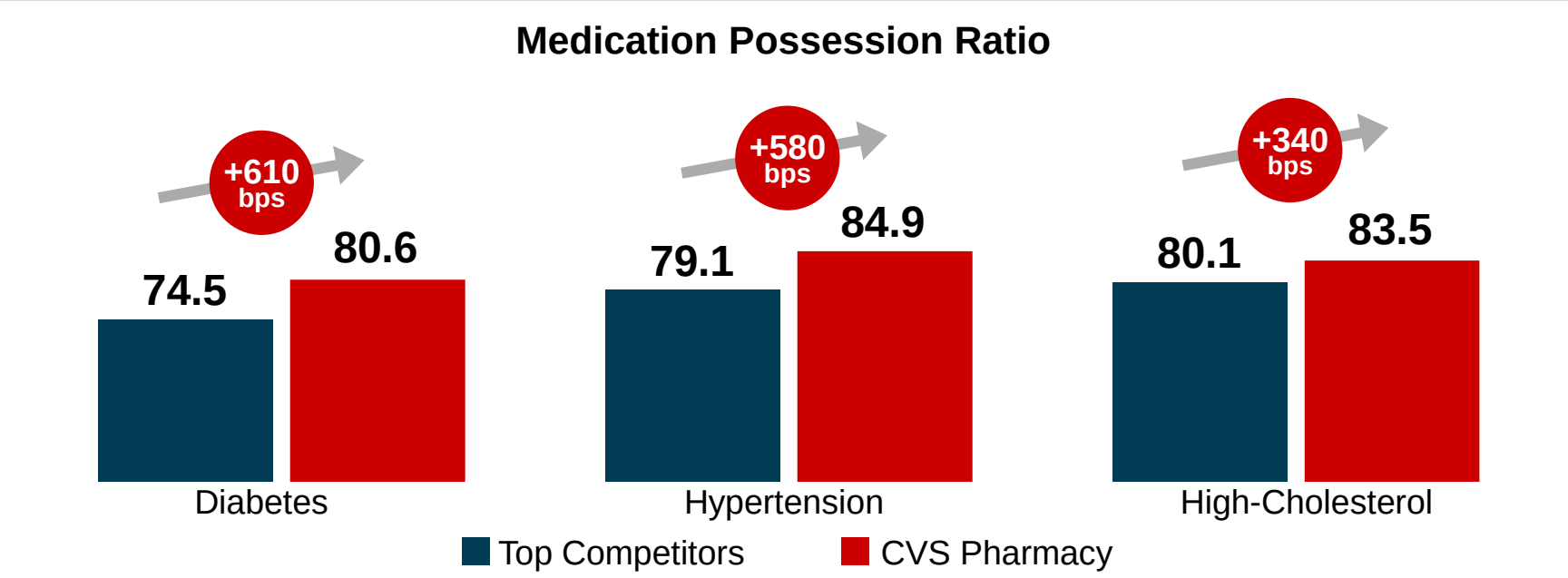
Size and Scale

- **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.

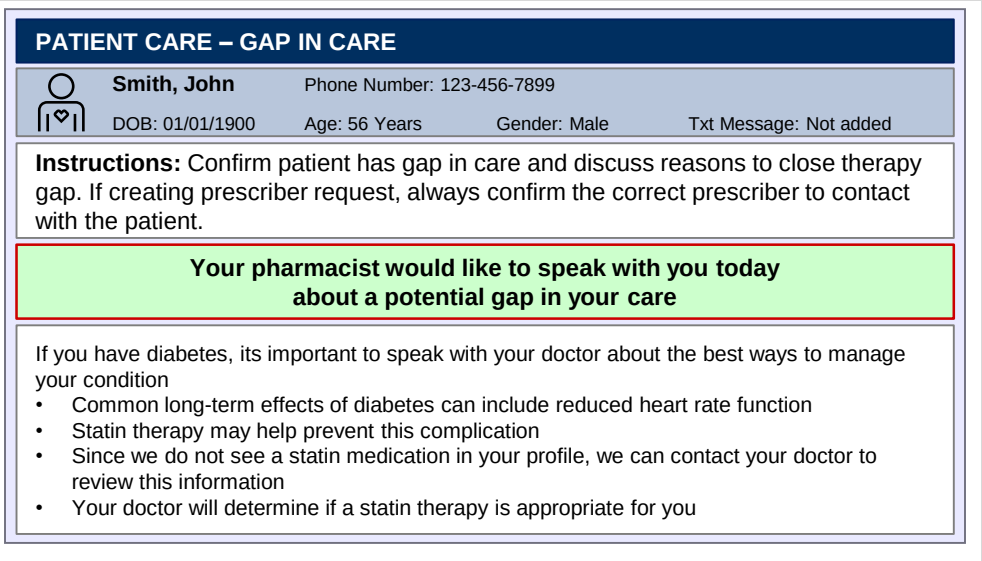
A Strong Track Record of Leading Performance



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

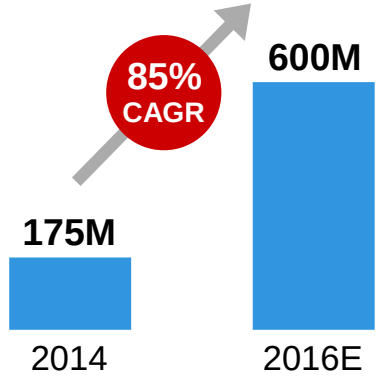
Allows us to solve a consumer pain point AND provide added value to PBM and health plan partners

Refer to endnotes for additional information.

Our Text Alerts Are Easier for Patients and Our Teams

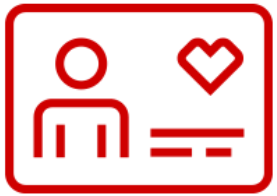
We are Driving Adoption …

Adherence text messages sent



… and an Innovative, Integrated Experience

Your insurance card is not on file



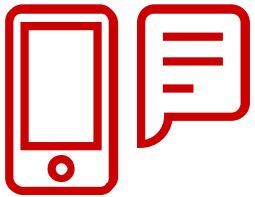
Text us a photo of your card

Your Rx may have expired



Text us to contact your doctor

Restock on-hand medications for back-to-school

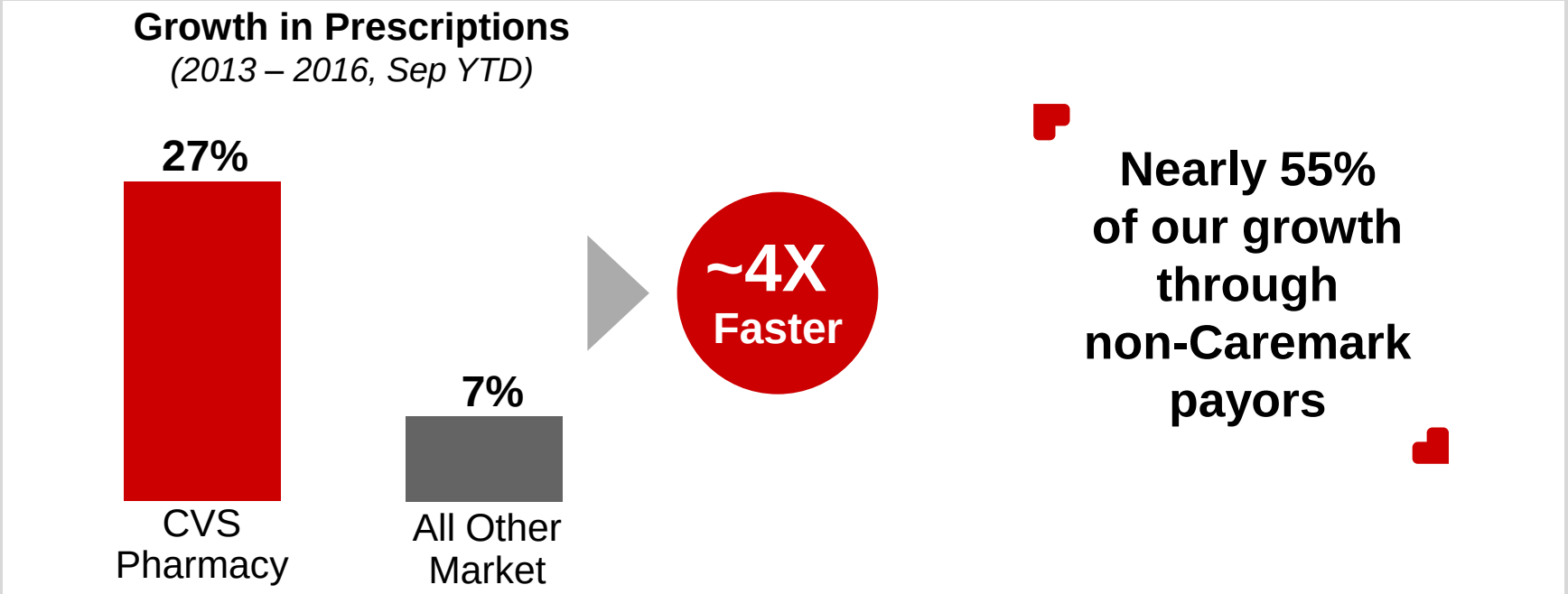


Text us to refill your medication

We own the last mile and understand our consumers

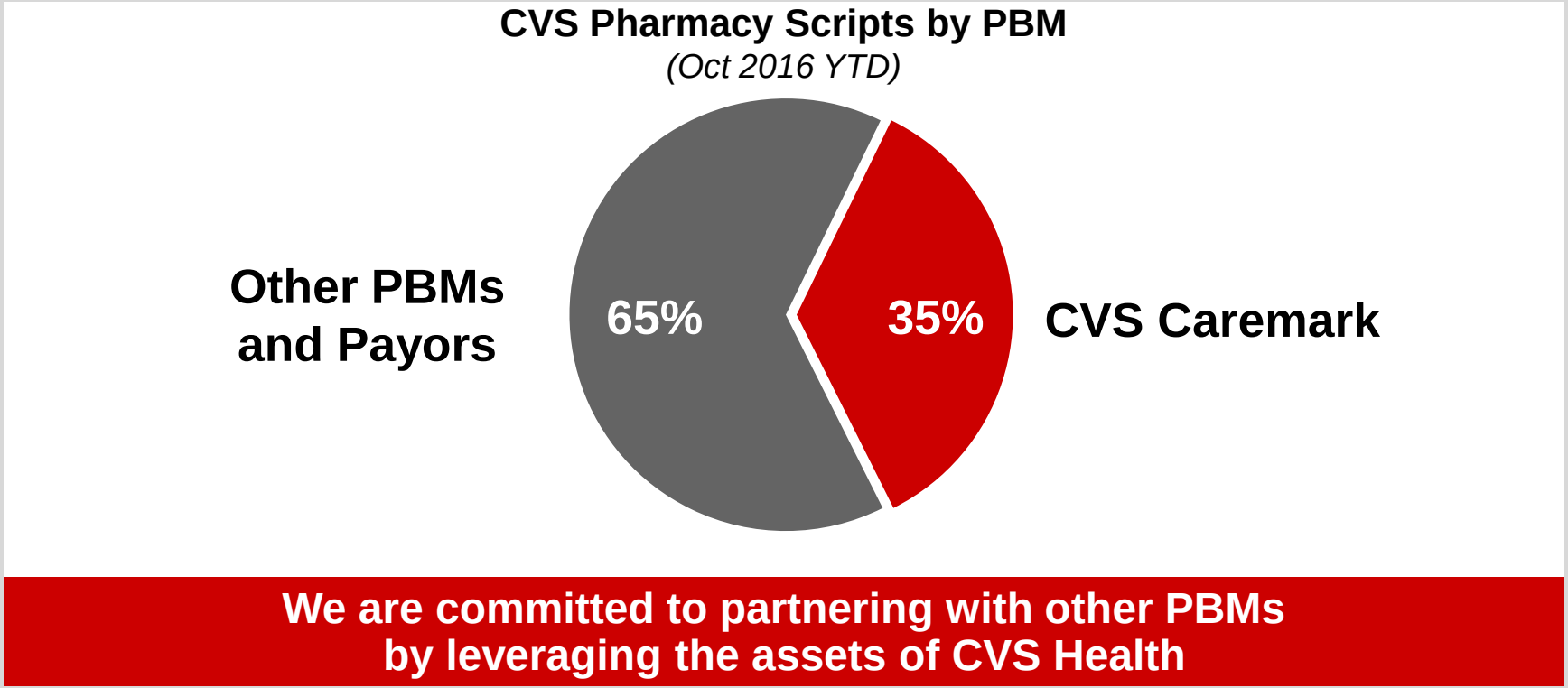
Refer to endnotes for additional information.

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

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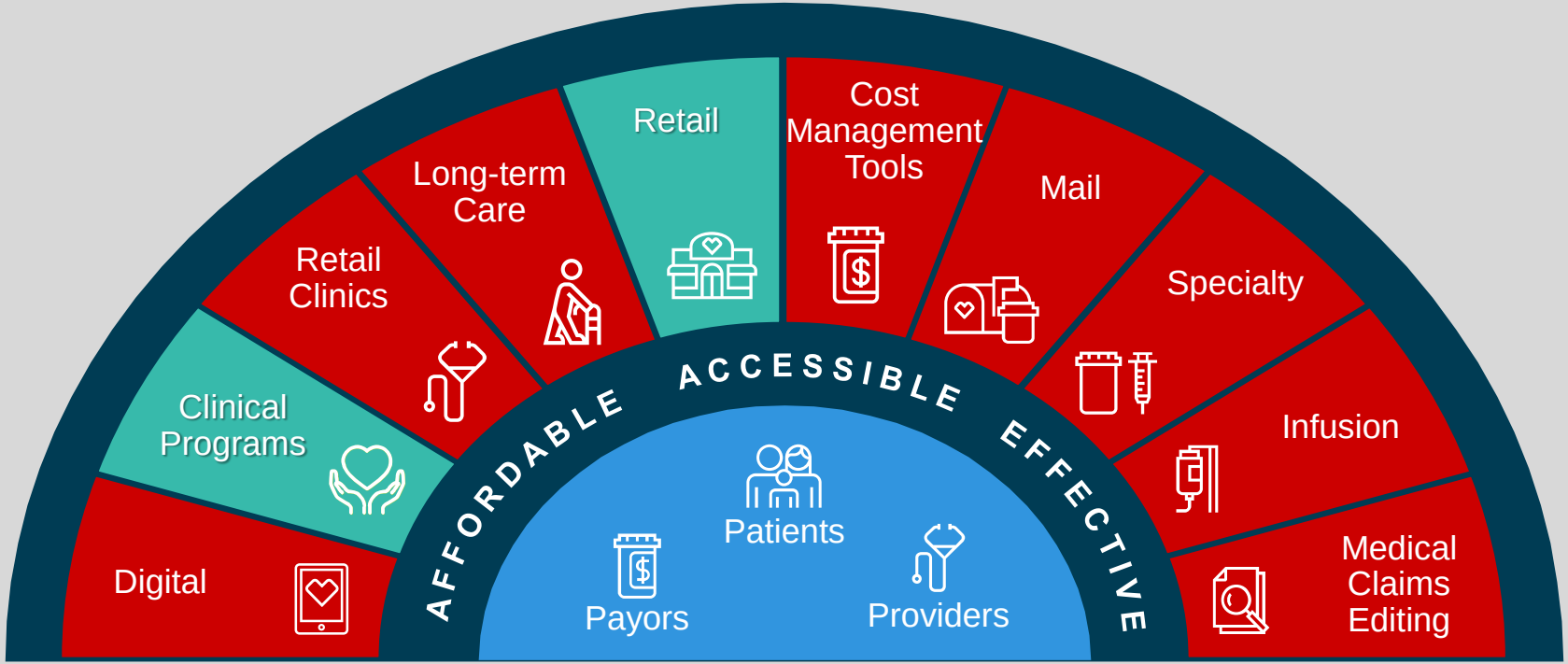
Front Store Growth Strategy

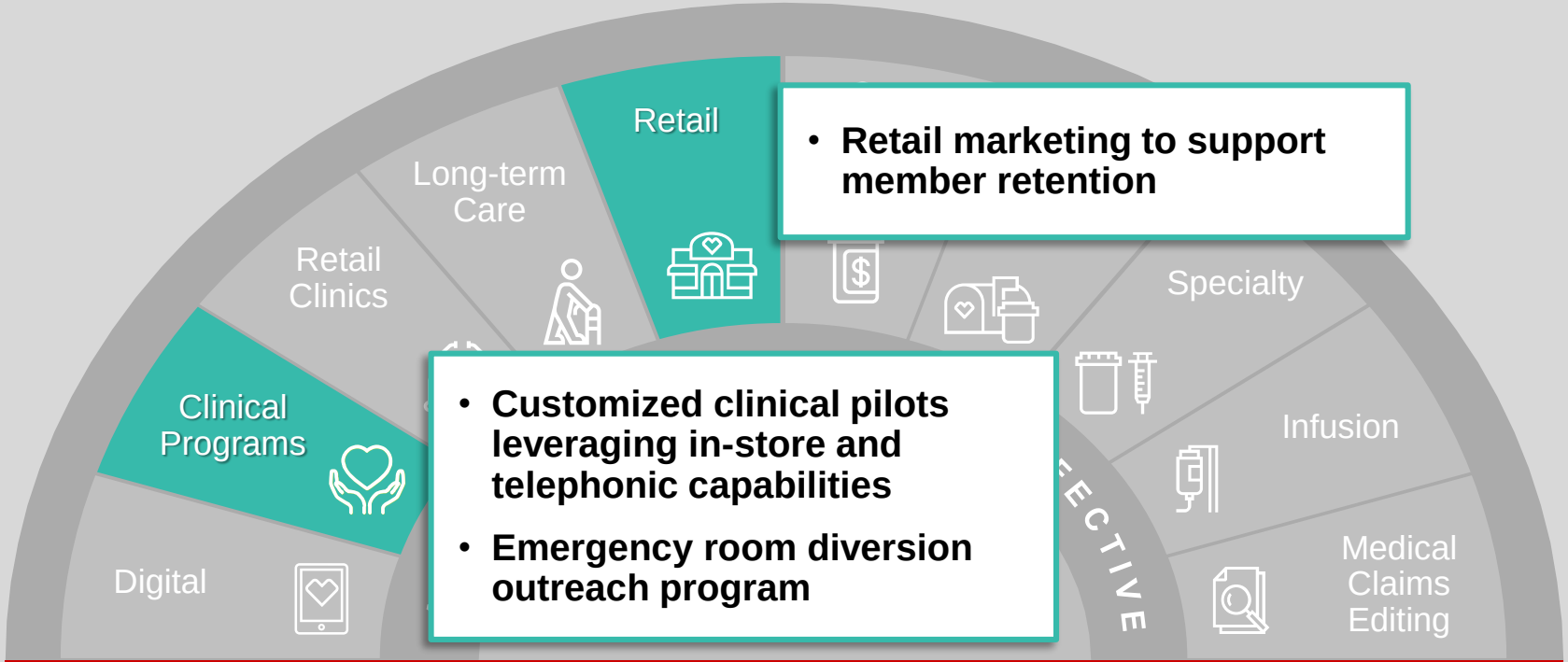
Bringing Together Assets From All of CVS Health to Win With PBMs and Health Plans



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

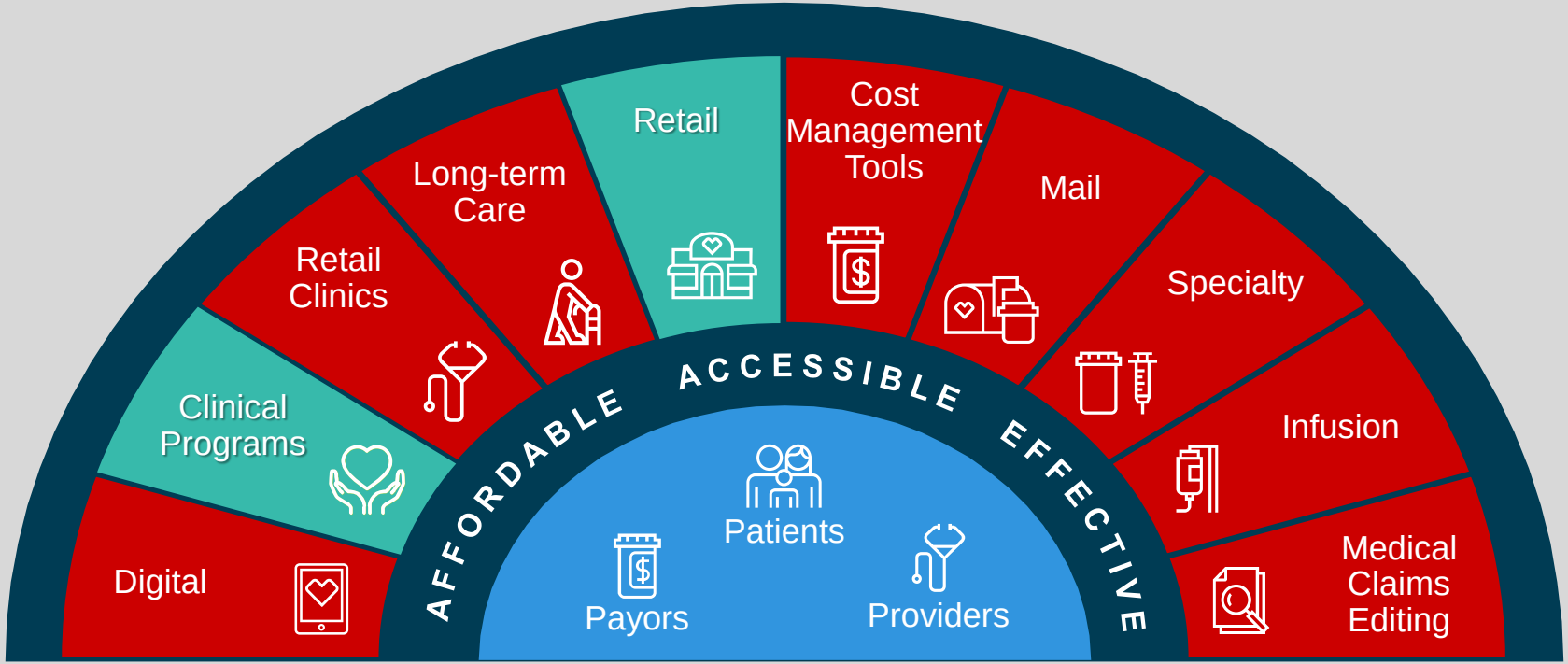


Non-PBM Medicaid Payor Saw Improved Clinical Results

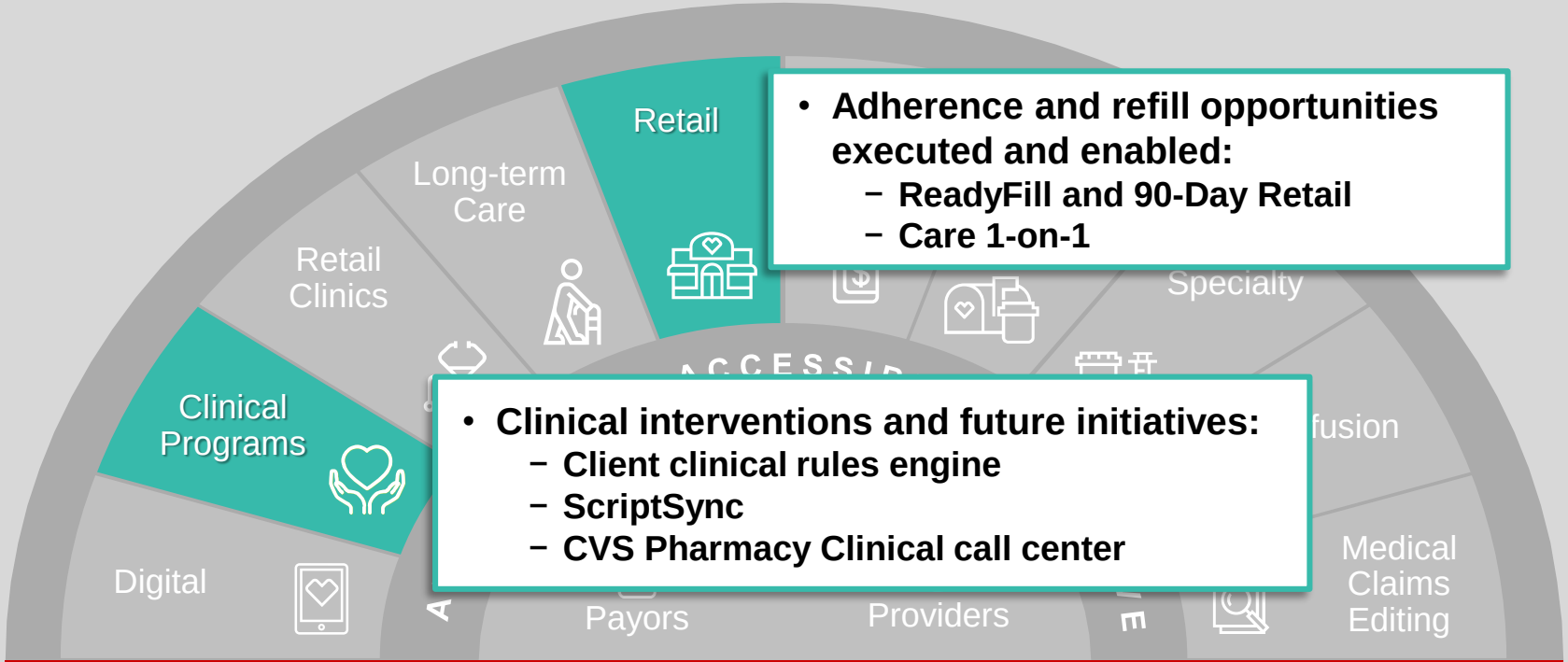


Closed gaps for patients at a rate 2X higher than client expectations

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

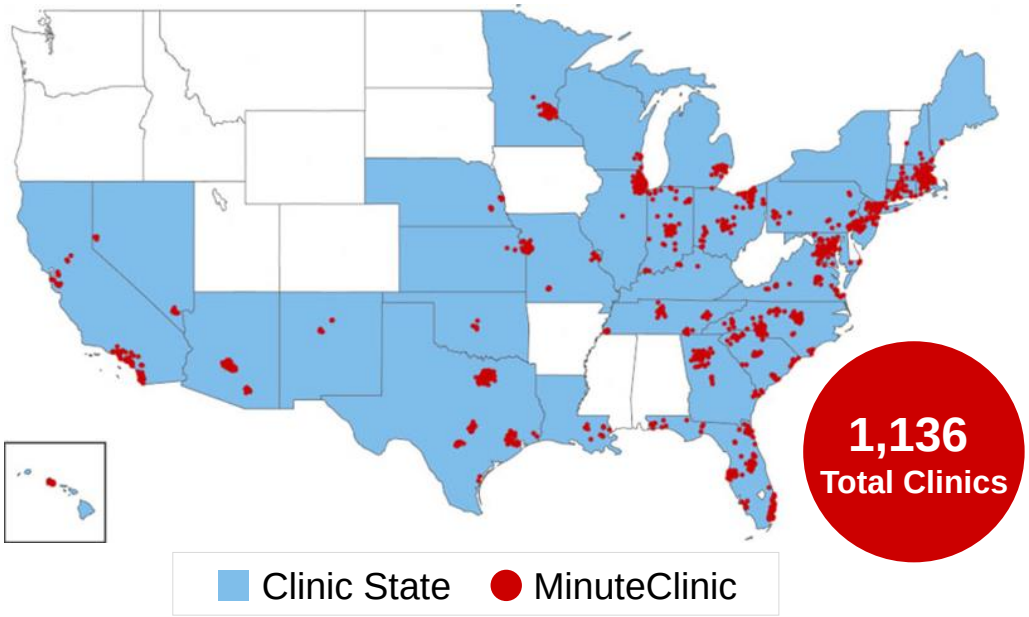
Update on Key Assets

- **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

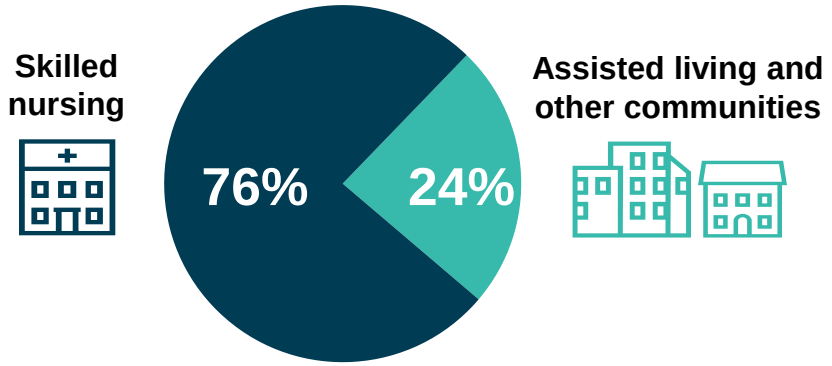
Agenda

- 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

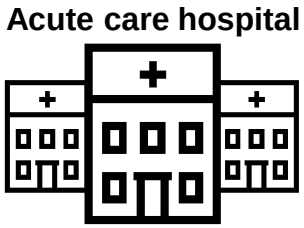


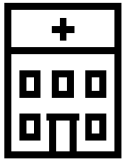
Additional Operational Improvements

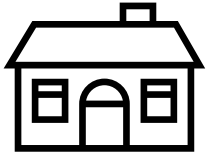
- New workflow and intake process for assisted living move-ins
- Technology upgrades and investments including:
  - Labor scheduling tools
  - Prescribing enhancements to staff workflow



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



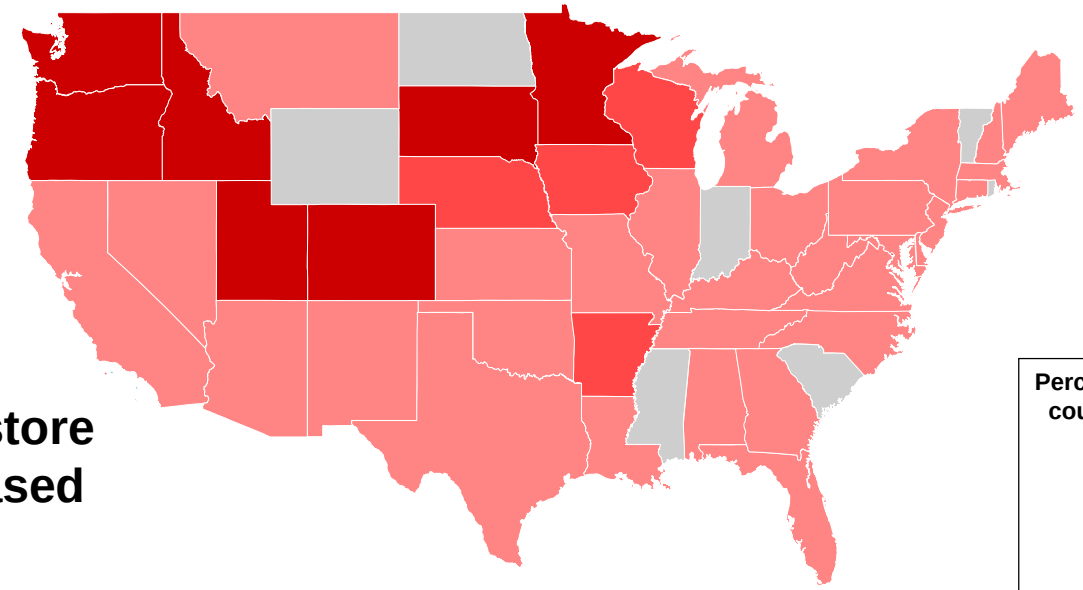
Agenda

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

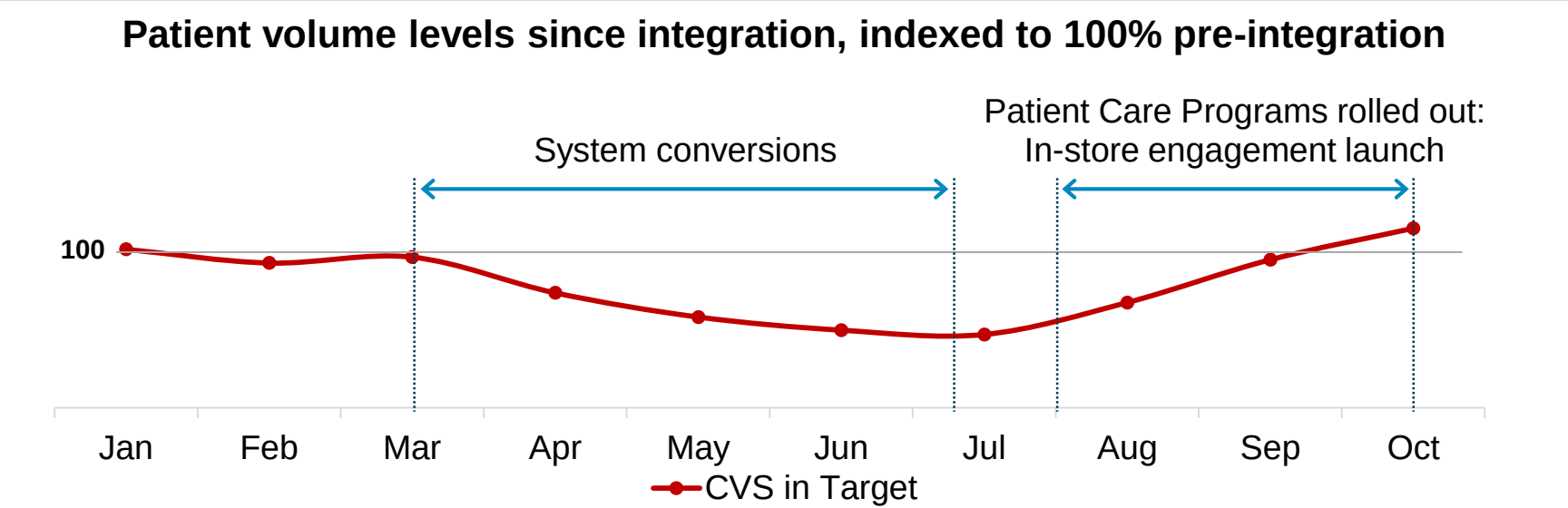
Acquisition of Target Pharmacies Is Helping Fill in Our Geographic Footprint

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

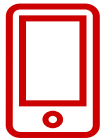
Front Store Growth Strategy

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**



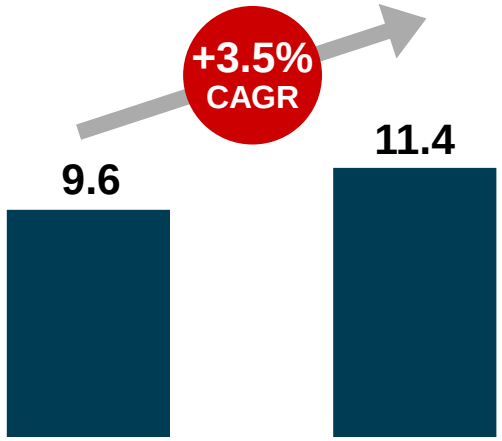
- **Expand personalization** to deepen relationships with our most loyal customers
- **Invest in digital** to deliver convenience to our customers



Success in High Margin Health & Beauty Categories

Health & Beauty Sales

($, billions)



	2011	2016E
Market share	11.6%	11.7%

Key Takeaways

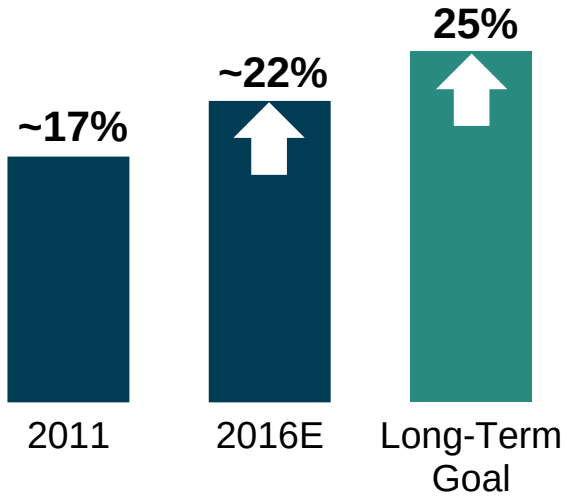
- These are categories where we **have a right to win**, **most closely tied to pharmacy**
- Projected to **grow 2X faster** than General Merchandise & Edibles over the next 3 years
- Margin is **1.7X higher** than other categories



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**

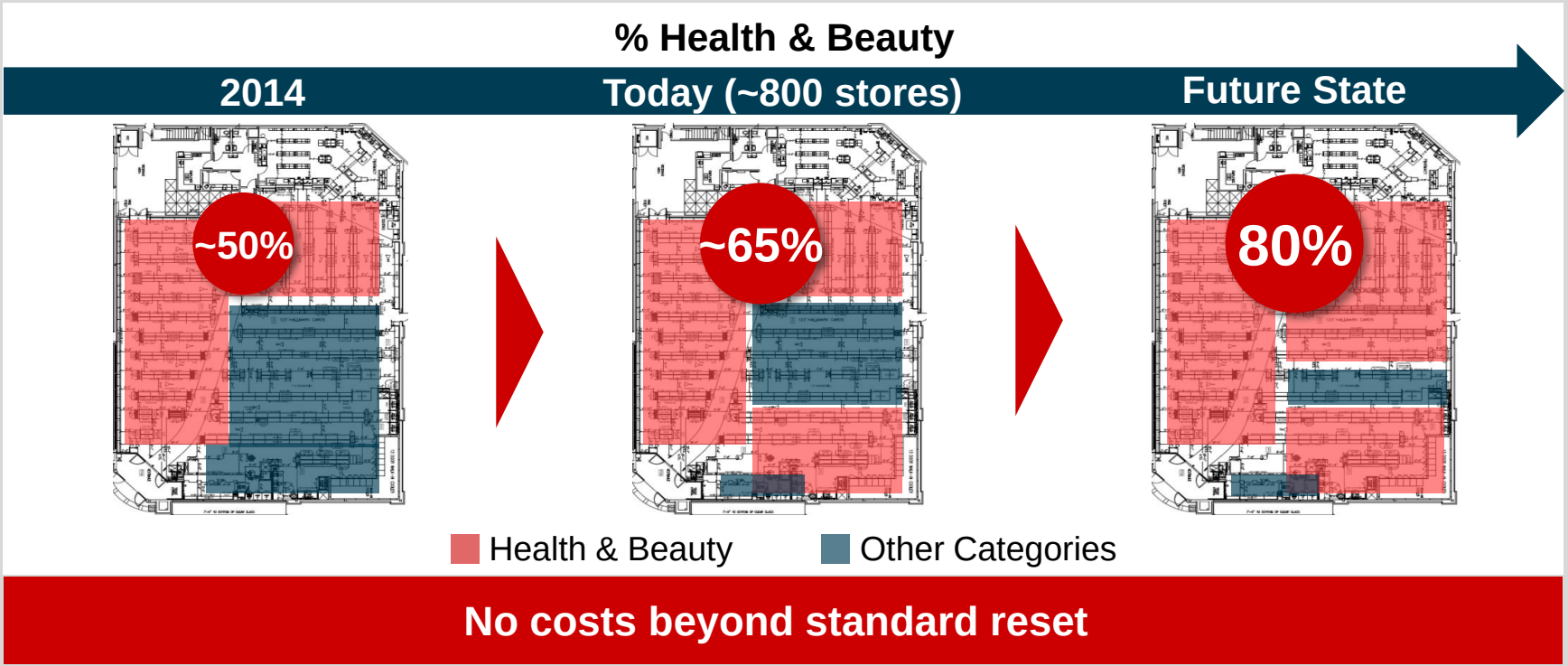


5. **Digital Innovation**



In-store | **Digital and personalization**

We Are Updating Our Stores by Growing Core Categories



Expanding and Elevating Our Health Assortment



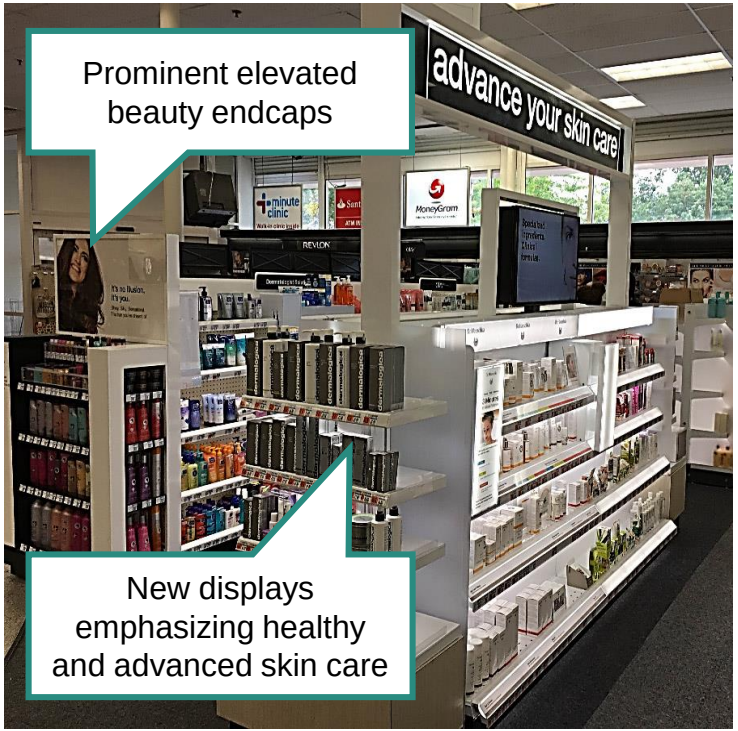


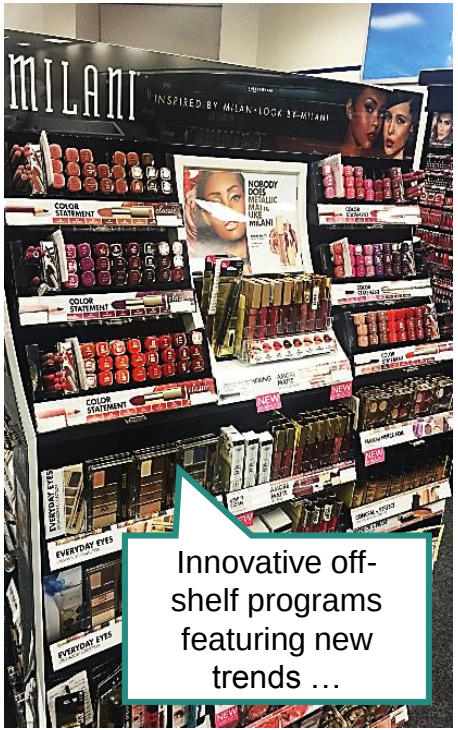


Expanding and Elevating Our Healthy Food Selection



Expanding and Elevating Beauty

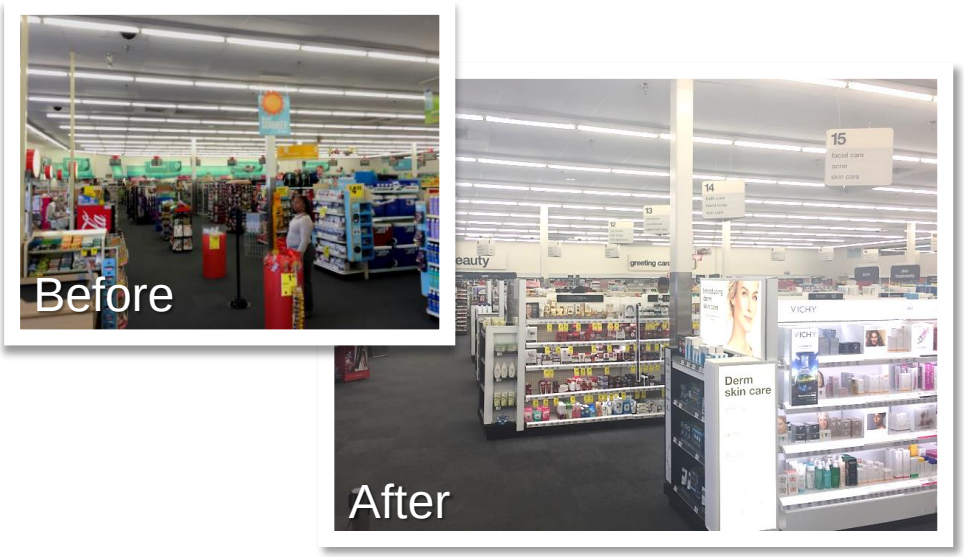






We Are Seeing Positive Run-Rate Results in 400 Stores

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.

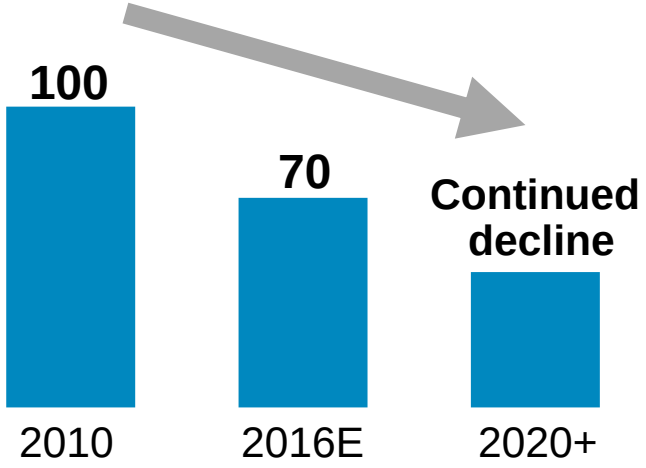
Rollout Continues to Be Successful

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

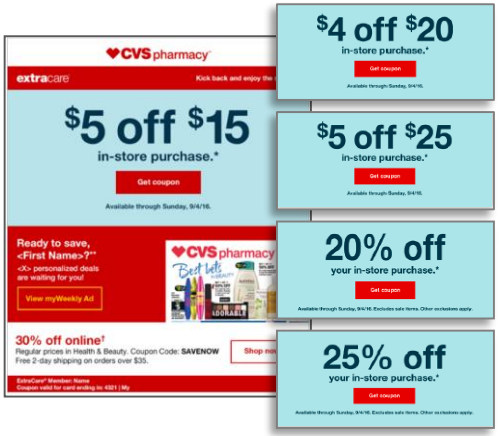
Personalization Helps Us Deliver the Right Messages to the Right Customers

Predictive Modeling



+

Offer Optimization



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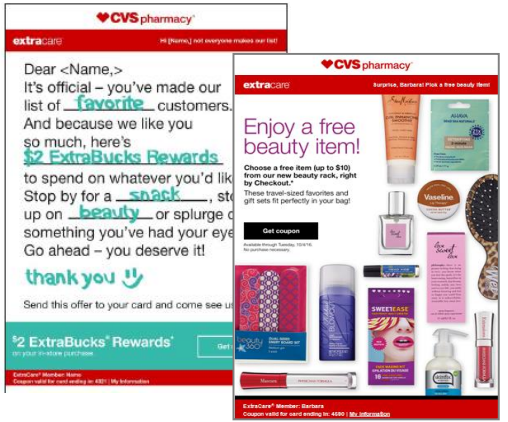
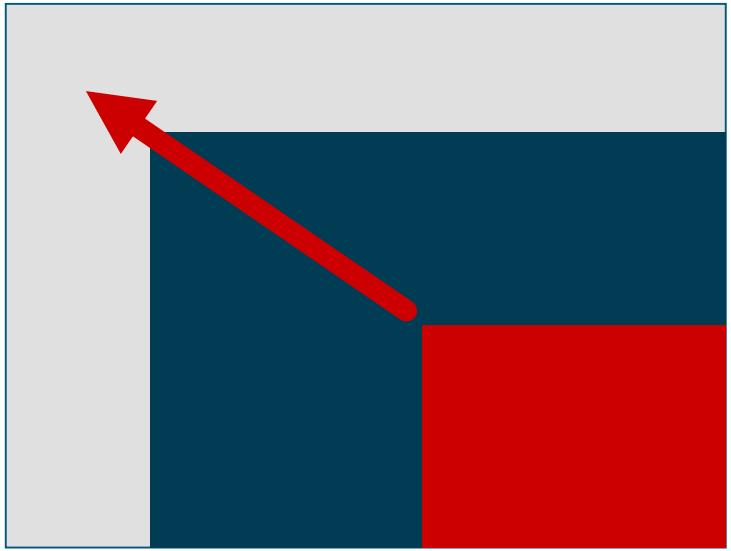
Tailored Creative



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

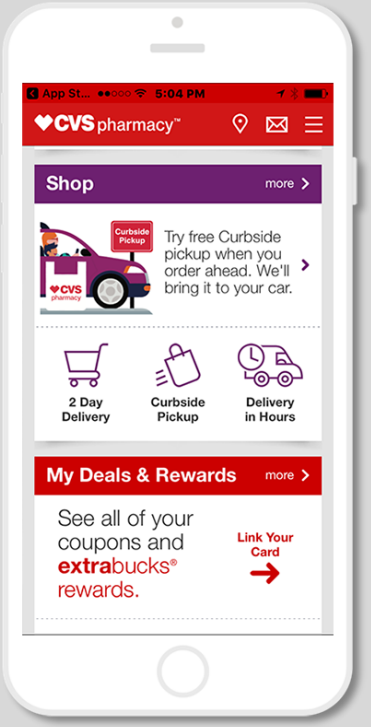


Annual margin

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.

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

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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.