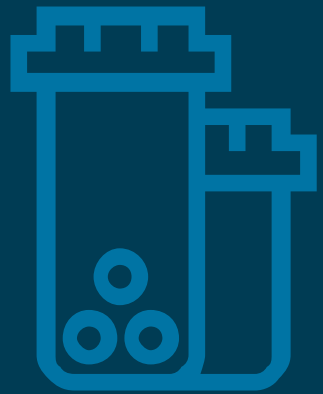
Meeting the Health Care Challenges of Tomorrow

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

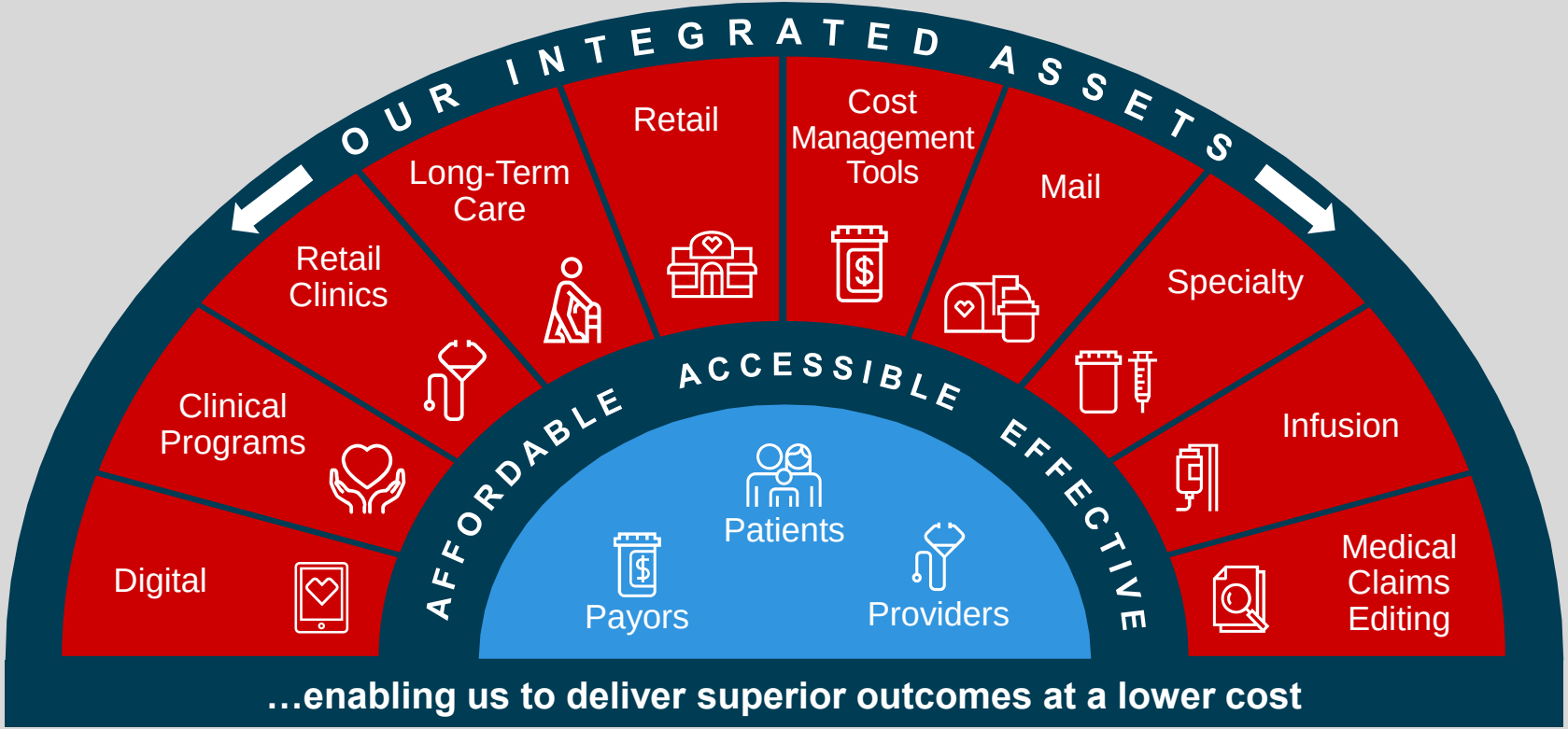
Growing enrollment in government programs

Challenging regulatory environment

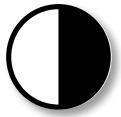
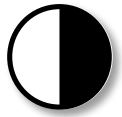
Increased focus on clinical outcomes



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

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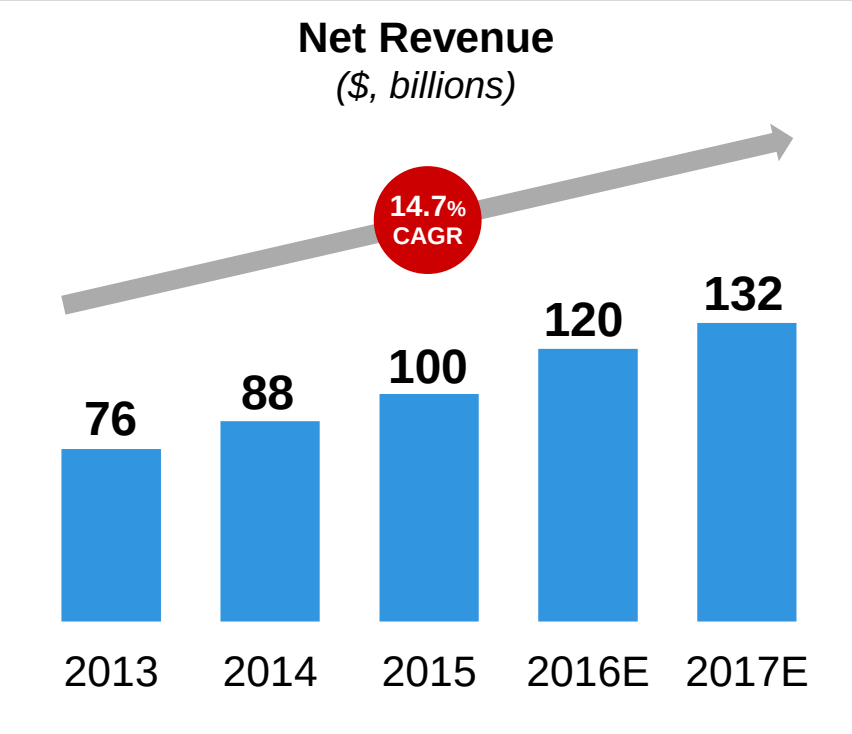
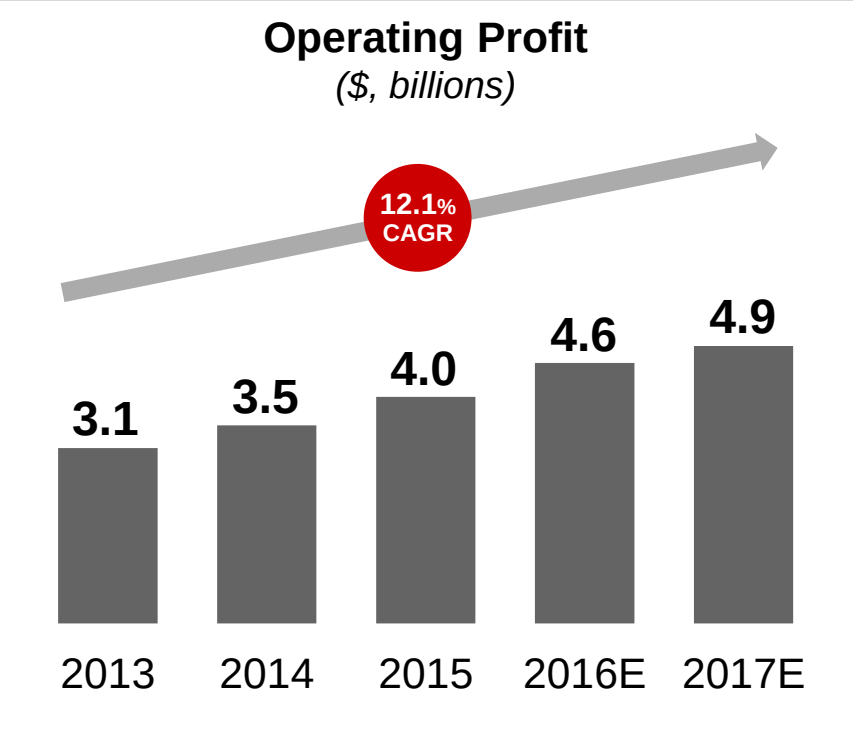
Continued Strong PBM Performance





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

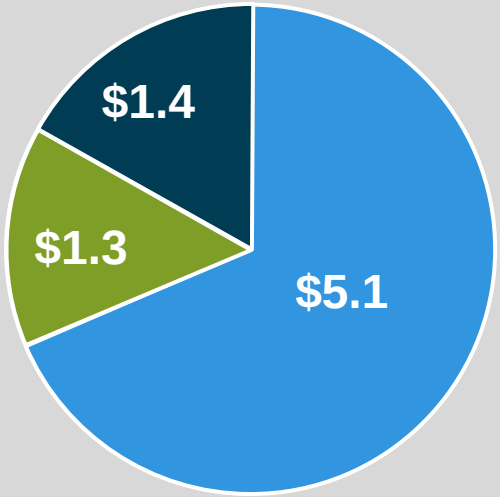
Employer

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.℠

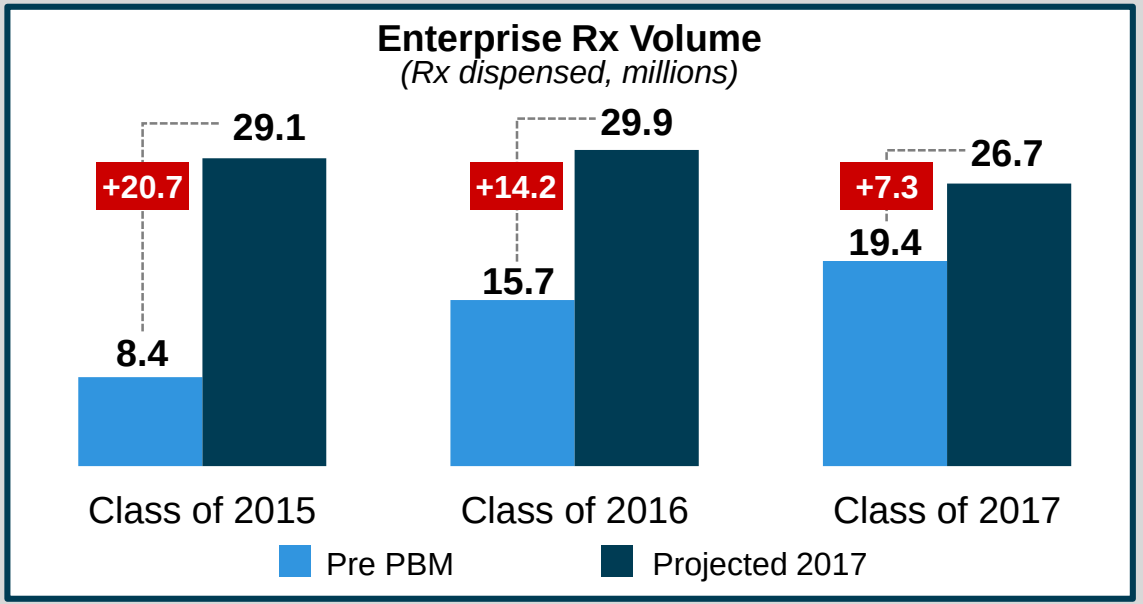
Net new business of $4.3 billion

Refer to endnotes for additional information.

New Business Provides Platform to Grow Enterprise Dispensing

Last 3 Years

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



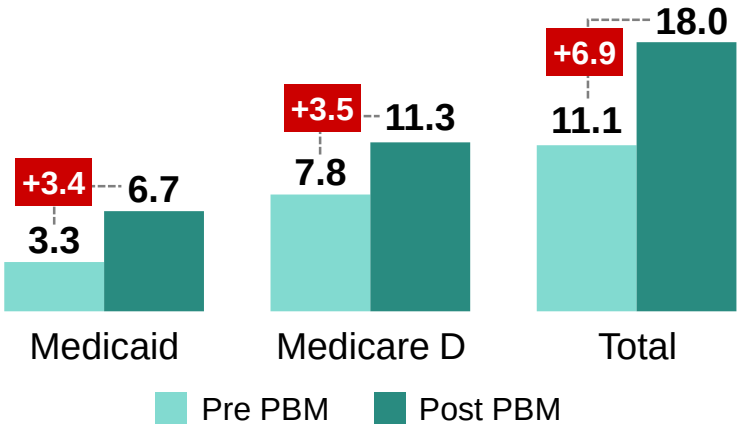
The longer we serve a client, the more we grow enterprise dispensing

Refer to endnotes for additional information.

Our Record of Success in Building Prescription Volume With Health Plans

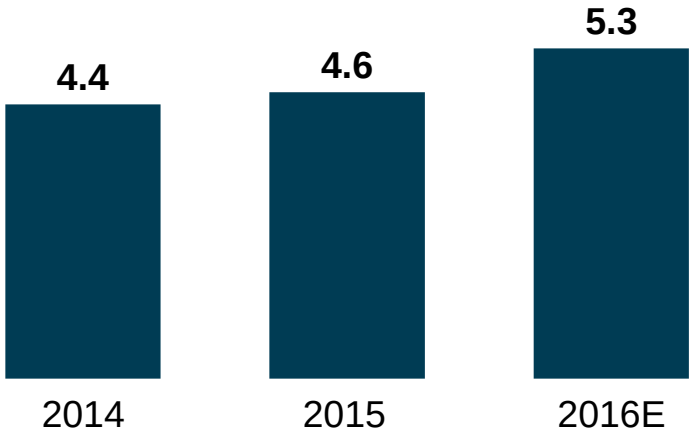
New Health Plan Client

Enterprise Rx Volume
(Rx dispensed, millions)



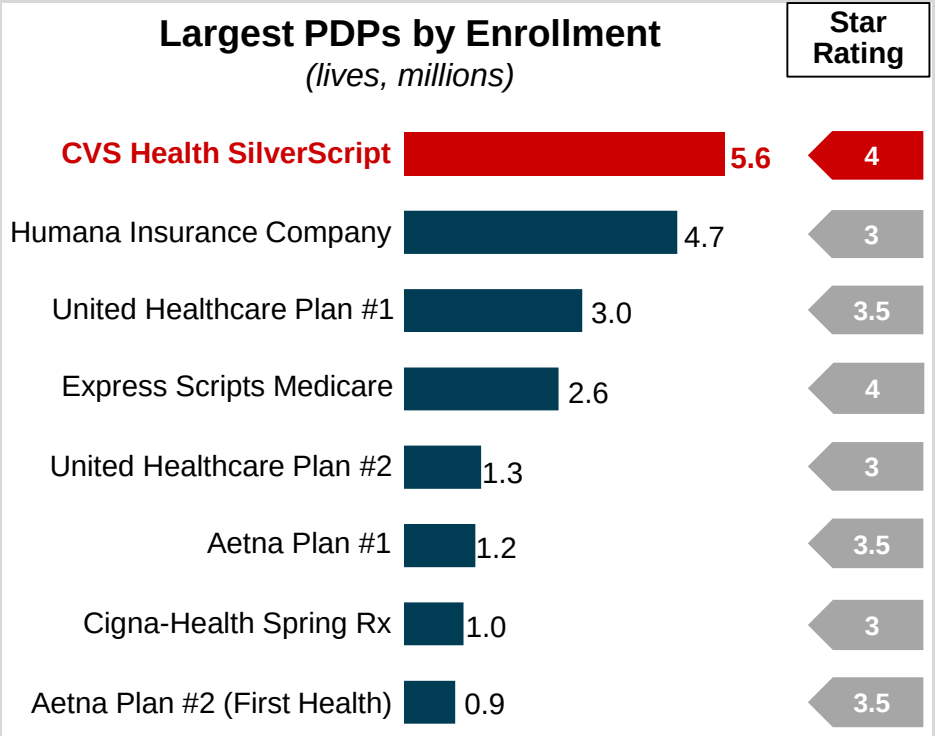
Multi-Year Health Plan Client

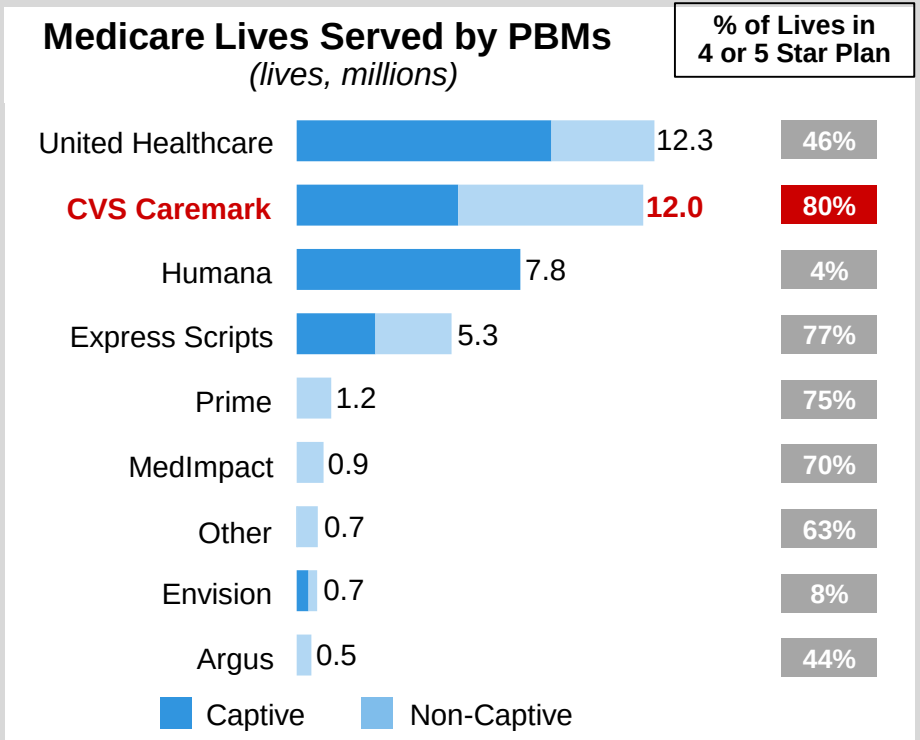
Enterprise Rx Volume
(Rx dispensed, millions)



Refer to endnotes for additional information.

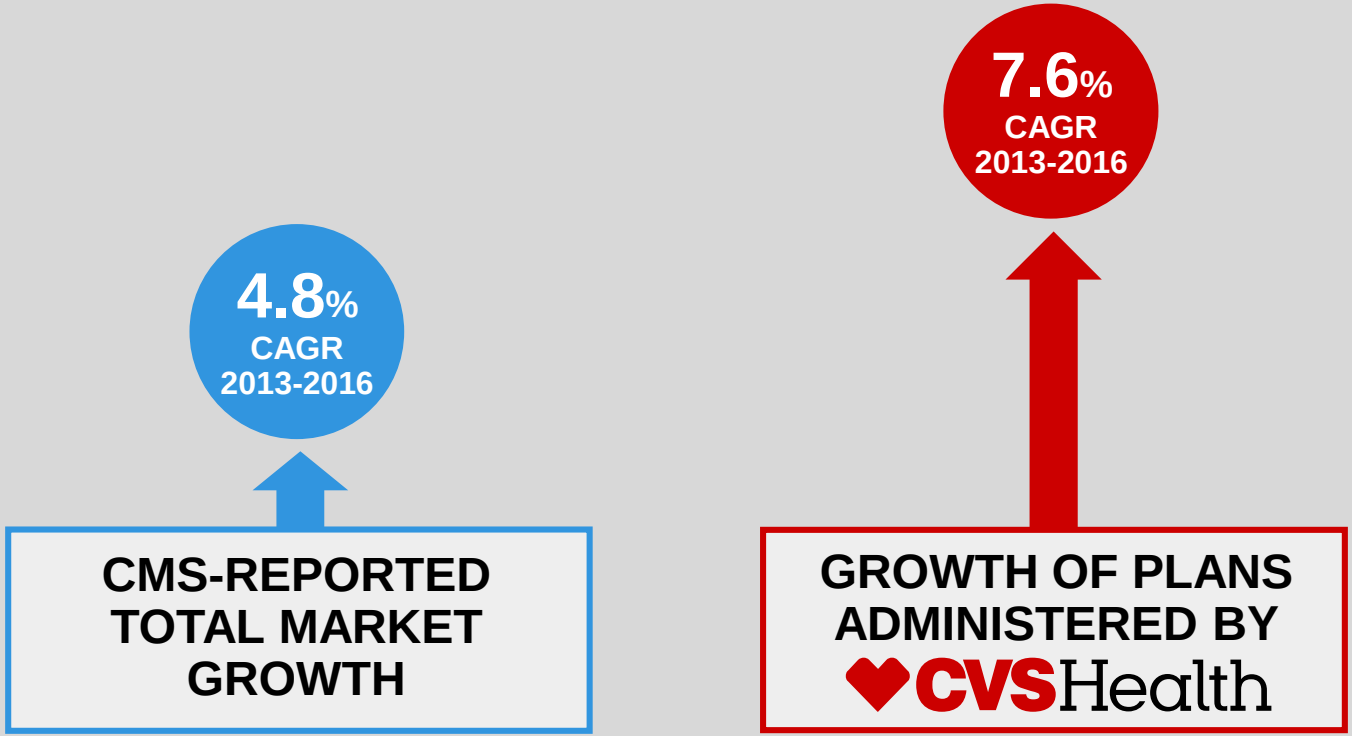
Leading in Medicare by Delivering Service and Quality





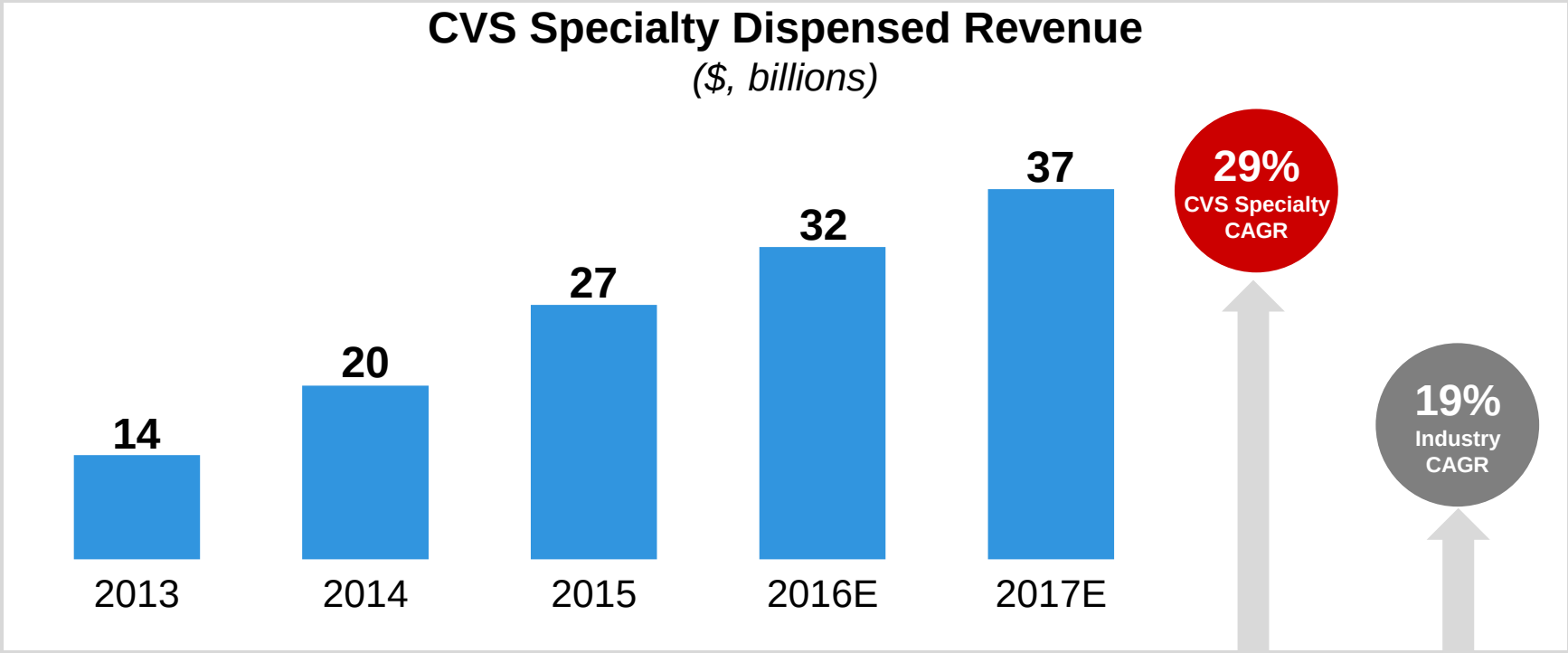
Refer to endnotes for additional information.

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.

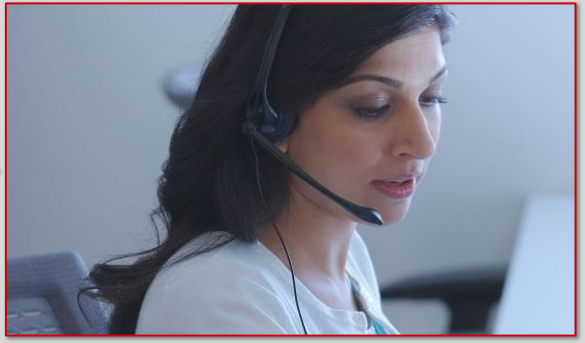
Delivering High Levels of Client and Member Service Continuously – Top 2 Box Satisfaction Scores

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

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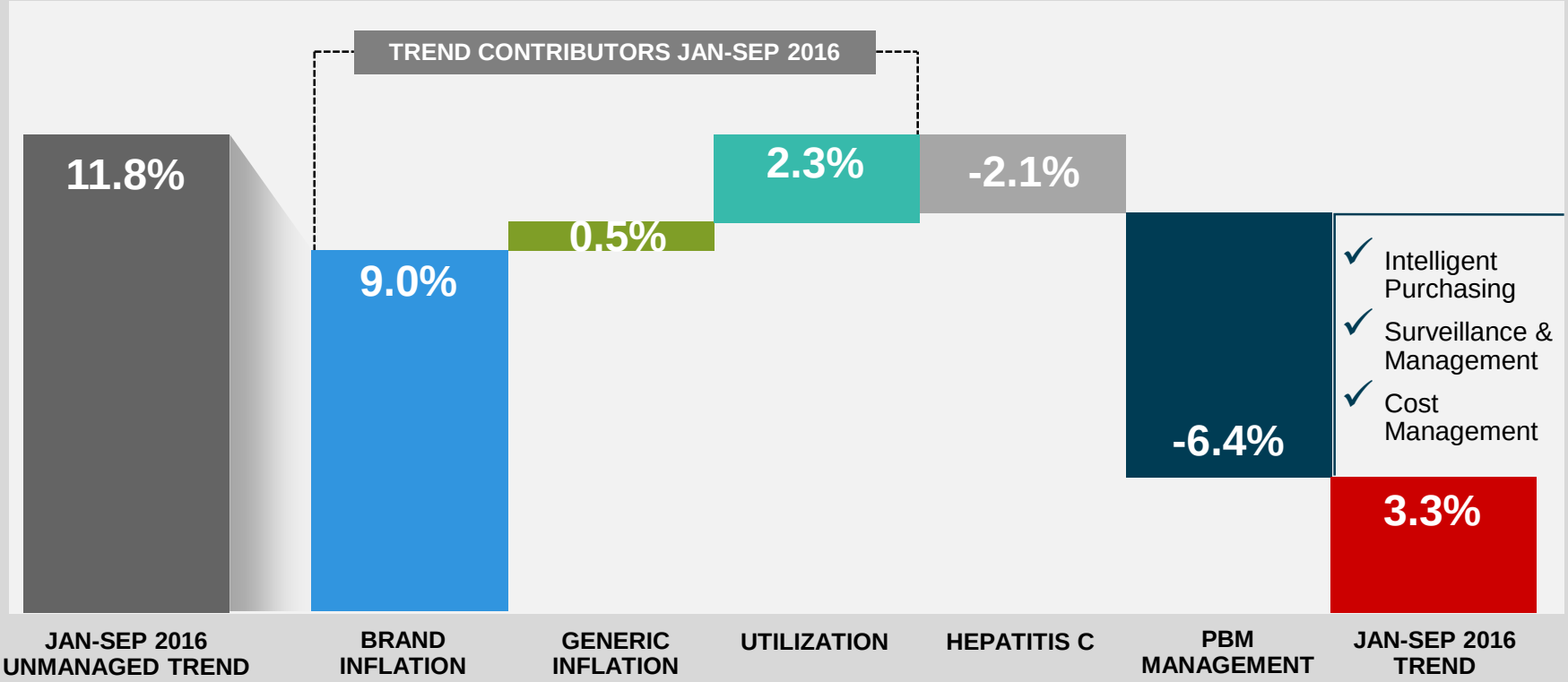
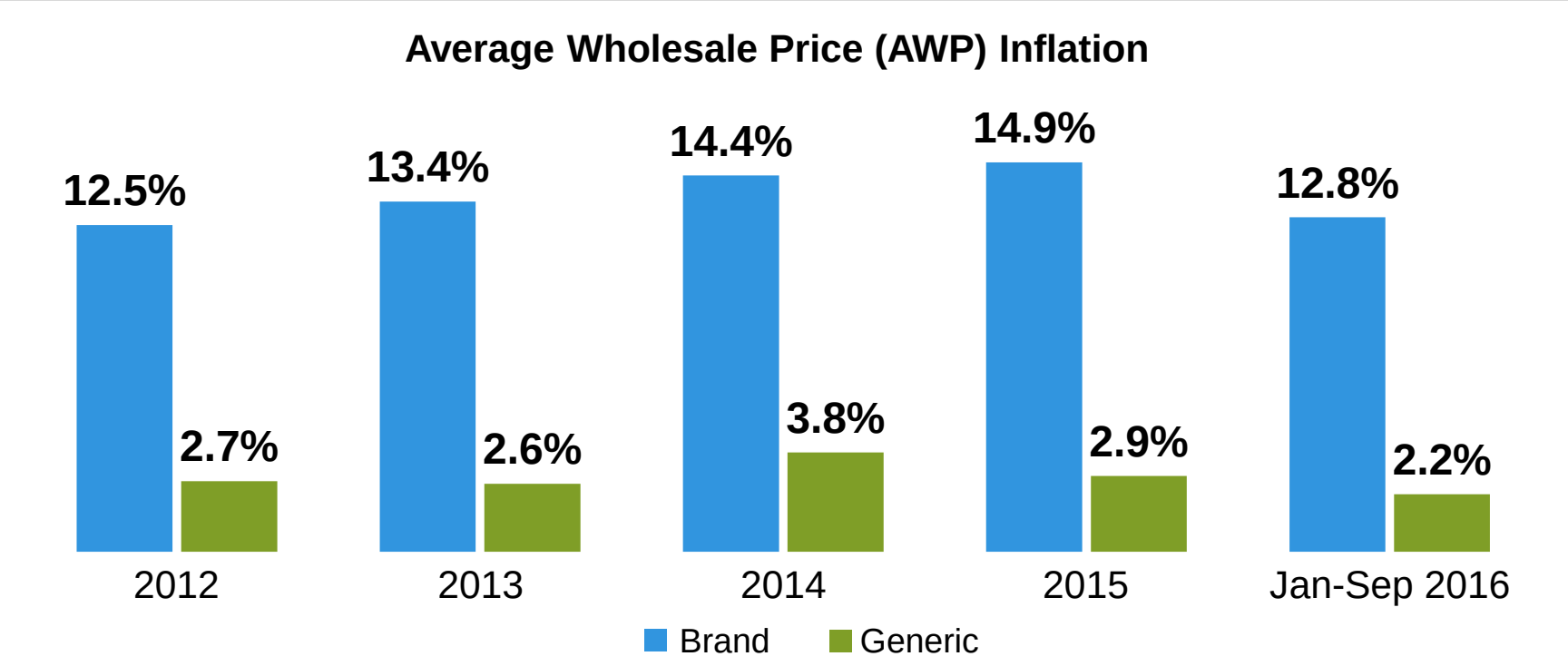
Despite Market Forces, We Helped Our Clients Cut Trend



Refer to endnotes for additional information.

Brand Price Inflation Drives Trend



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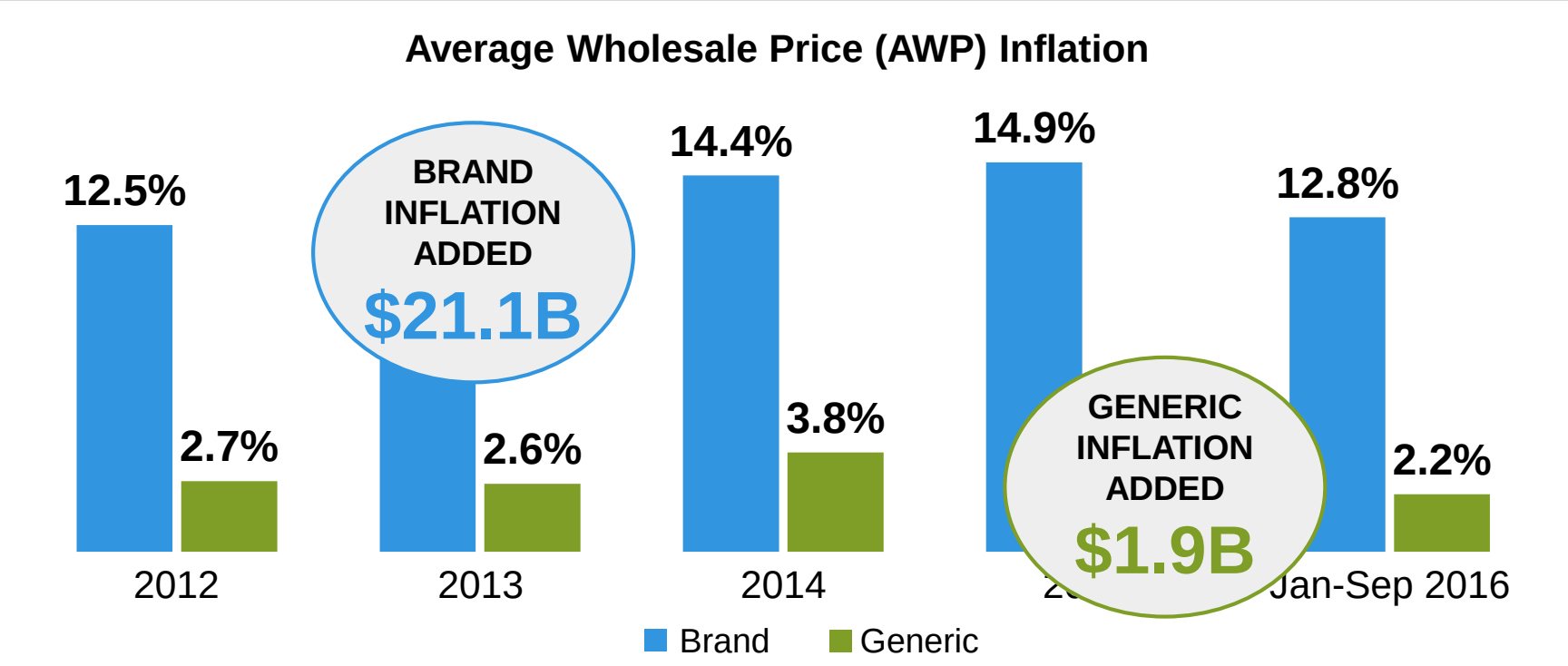
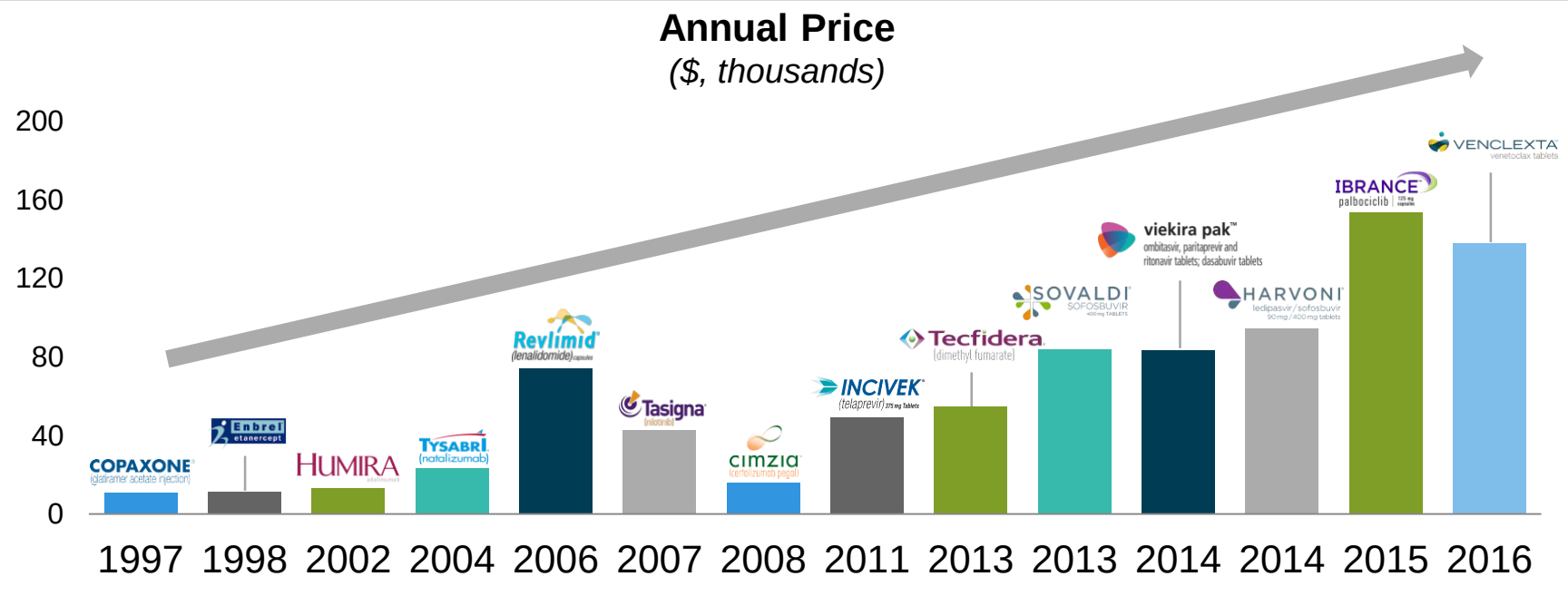
Brand Price Inflation Drives Trend



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

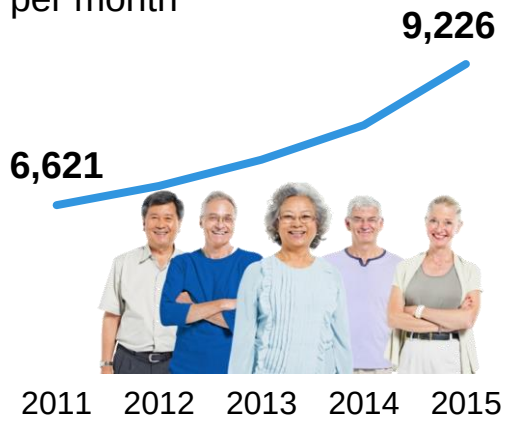
10,000 Americans will turn 65 every day until 2030

New Drugs

> 200 new drugs expected to launch between 2016-2018

Utilization Trend

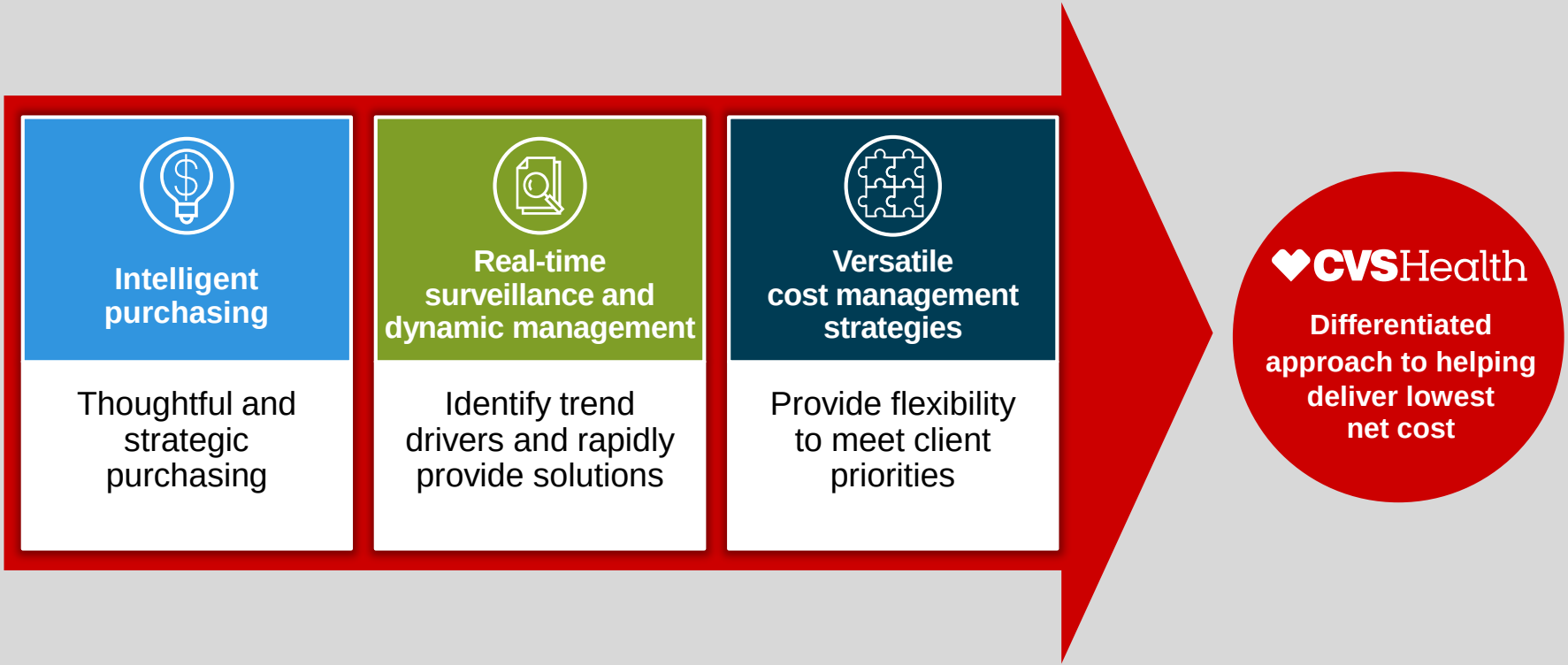
Rx per million plan members per month



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

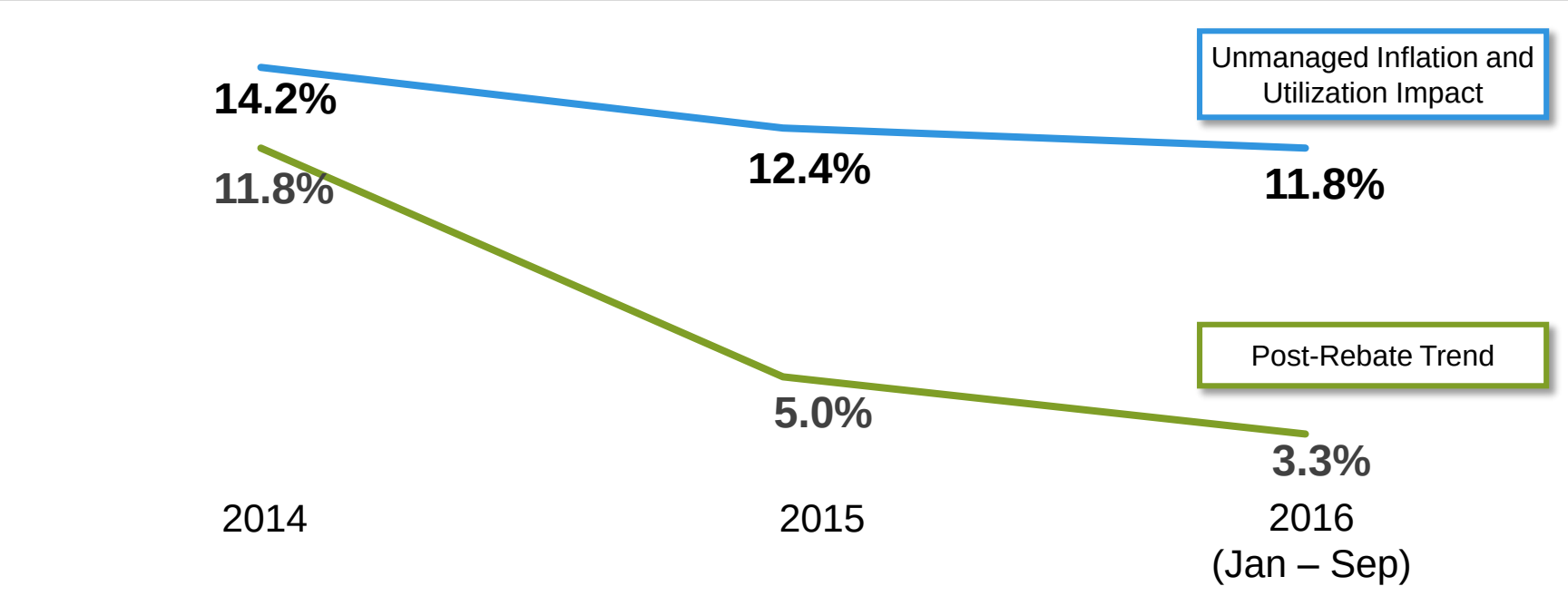


Negotiate from strength

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

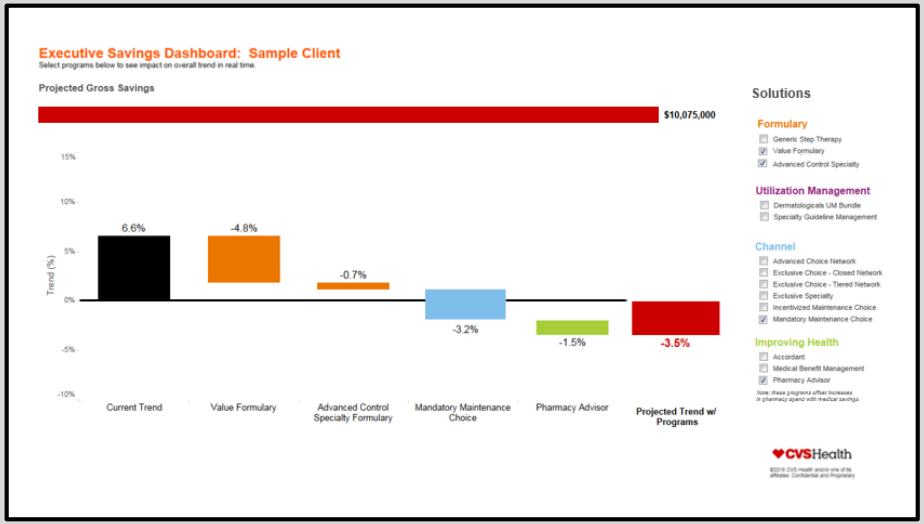


Refer to endnotes for additional information.

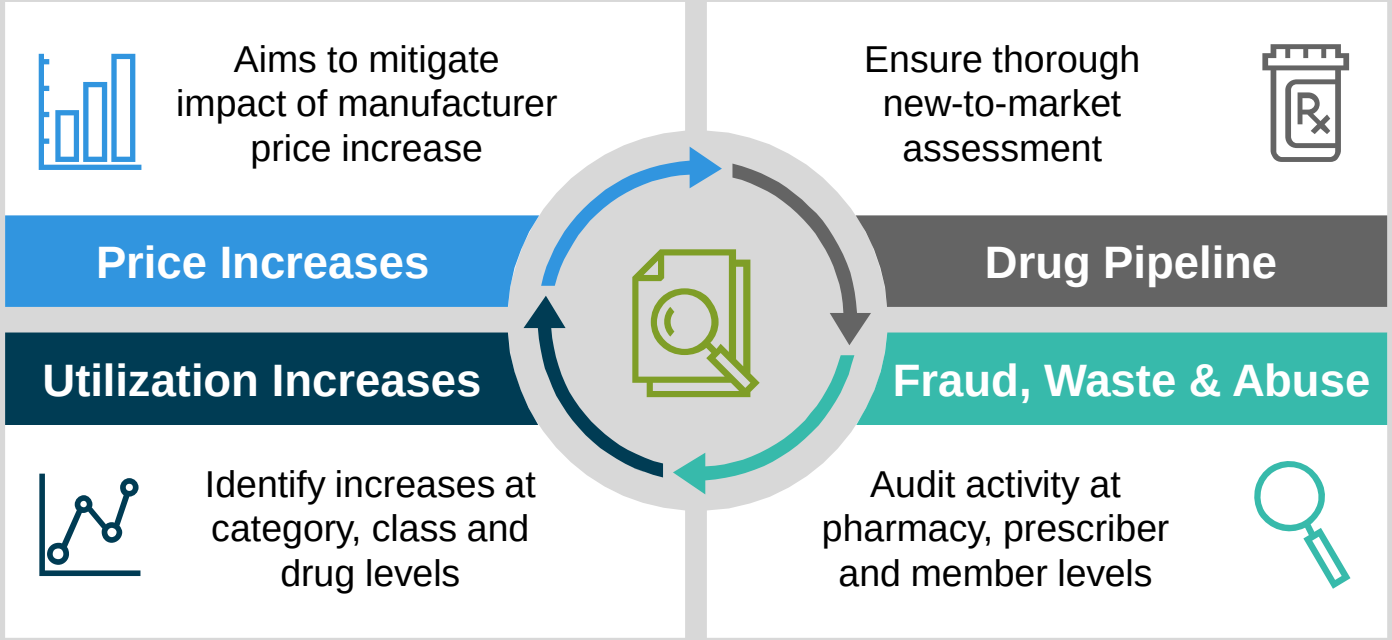
Real-Time Surveillance & Dynamic Management: to Stay Ahead of Market Volatility

Interactive RxInsights®

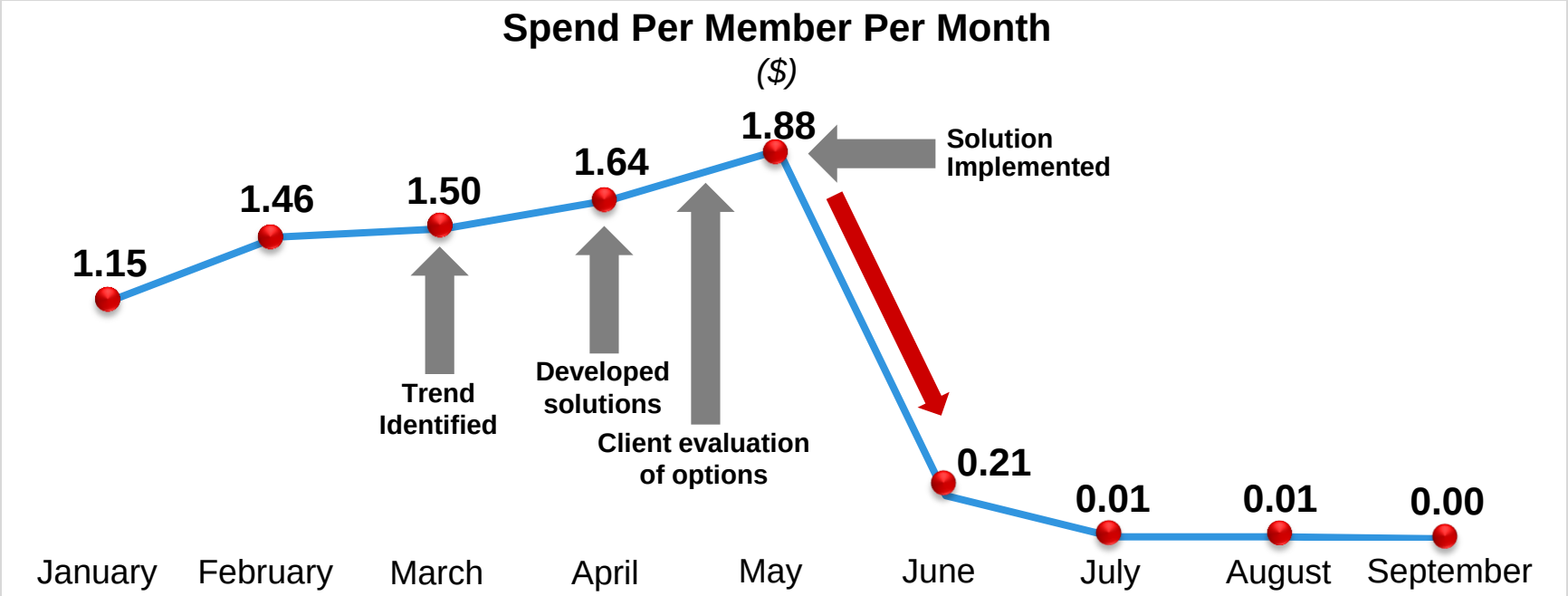




Real-Time Surveillance & Dynamic Management: to Stay Ahead of Market Volatility



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

+

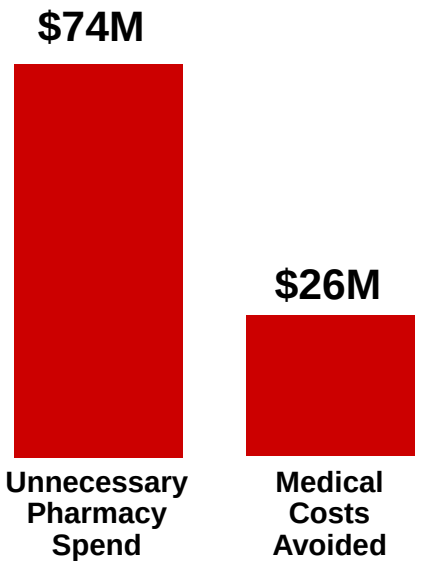
Intervene directly with prescriber and member when appropriate

+

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

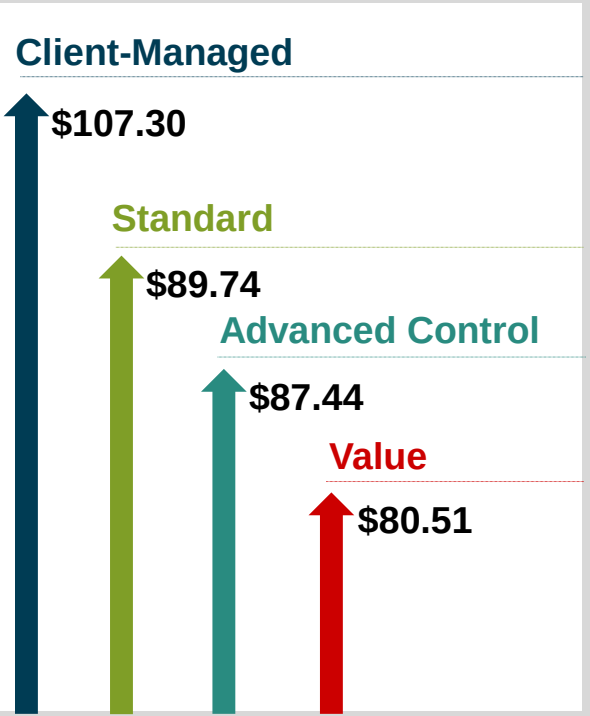
2012 Formulary Removals

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

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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

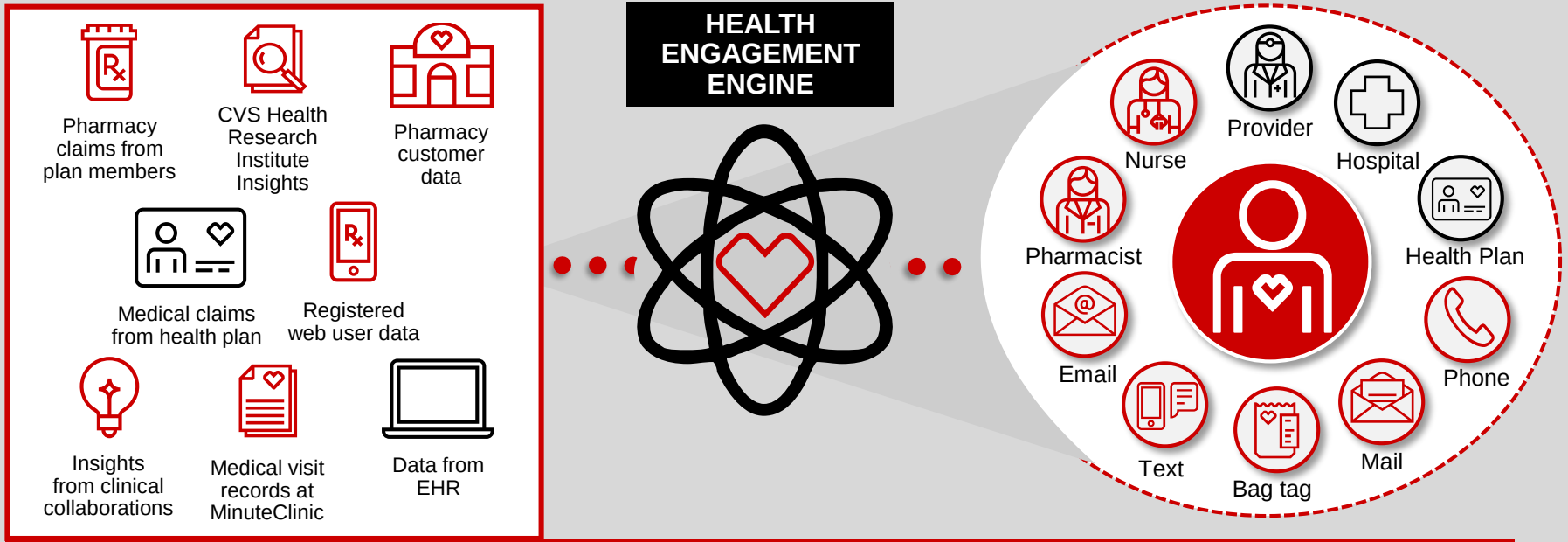
Managing her own and her family's health



$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

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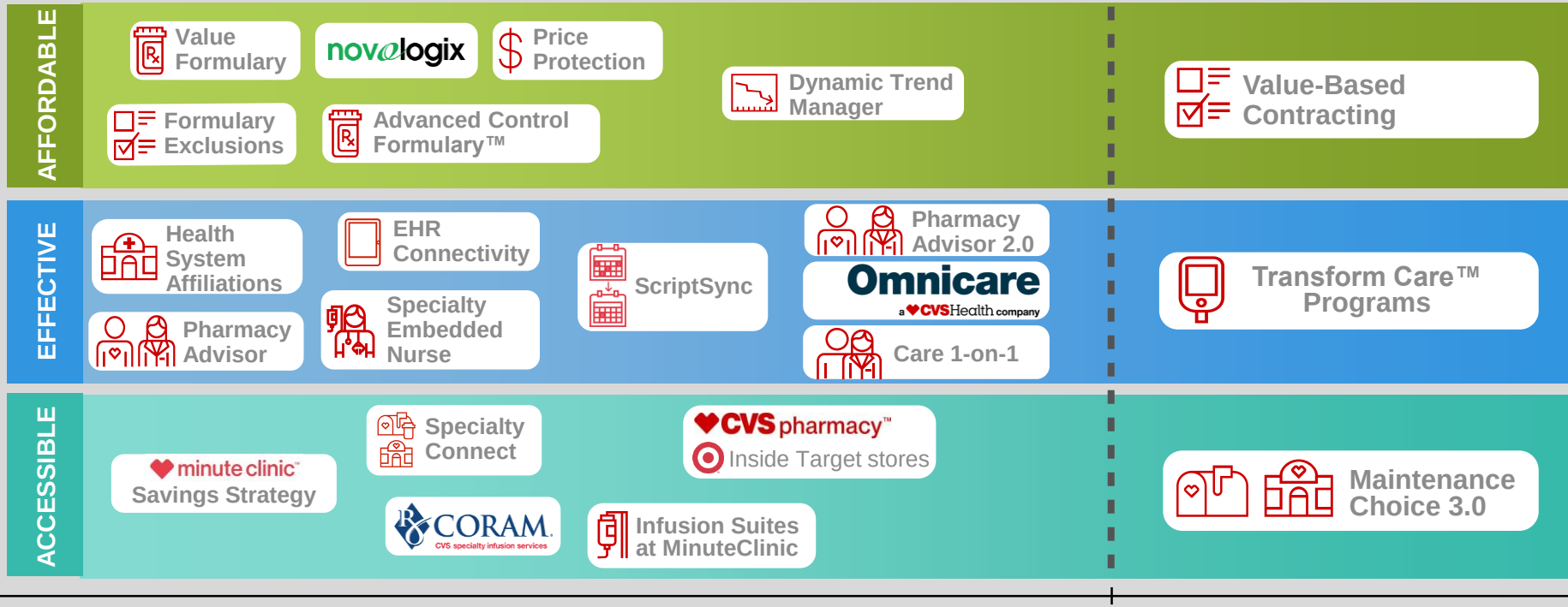
Innovating for the Future

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

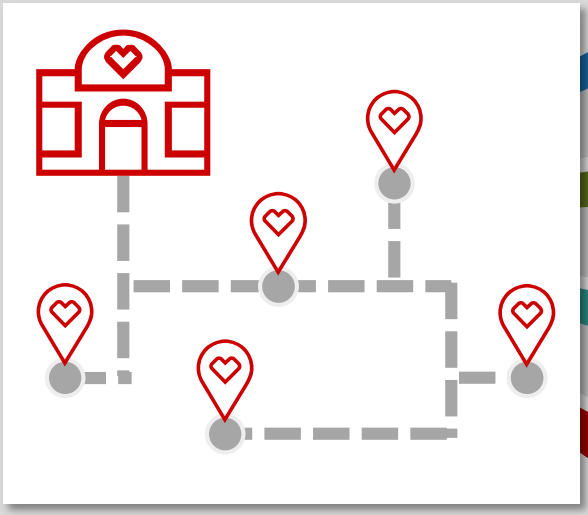


- ✓ **Further aligns incentives on outcomes and cost**
- ✓ **Price linked explicitly to the defined value metrics**

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

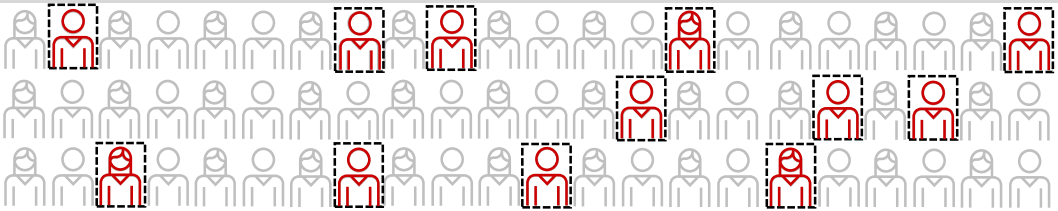
Stratify

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

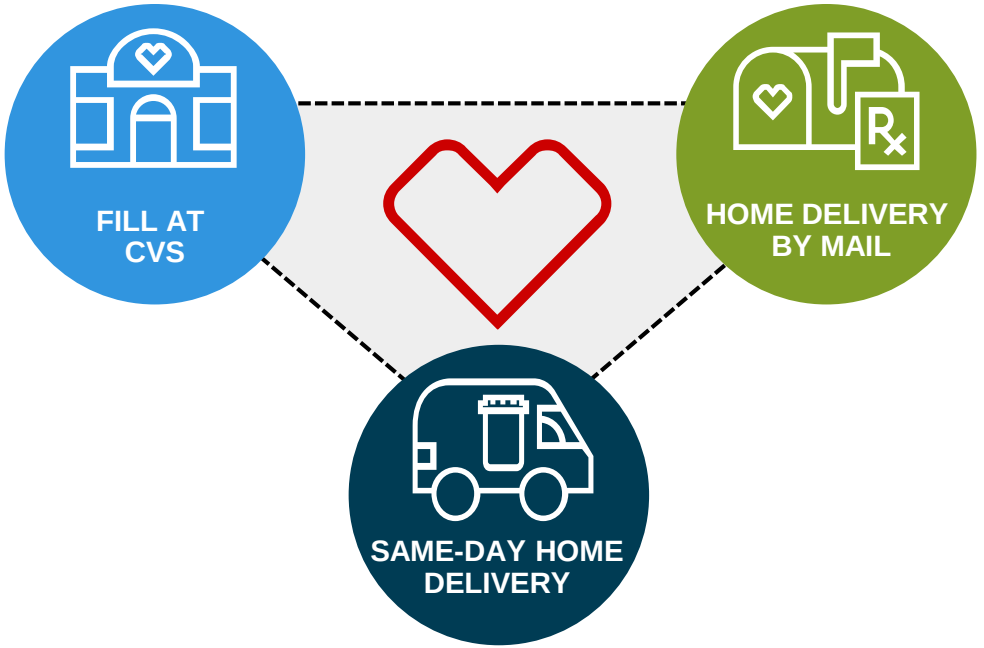
Transform Diabetes Management

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

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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.