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CVS Health Corp. (CVS)

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MANAGEMENT DISCUSSION SECTION

Elizabeth Anderson
Analyst, Evercore Group LLC

Hi, everybody. Thanks for joining us today for the CVS Health fireside chat. Mike Newshel, the healthcare facilities and managed care analyst, and I'm Elizabeth Anderson, the healthcare technology and distribution analyst at Evercore, are thrilled to be joined today by the CVS management team. We have Larry Merlo, current CEO; Karen Lynch, the incoming CEO; Eva Boratto, CFO; as well as Katie and Valerie from the IR team.

So, I think before we get started, Larry wanted to say a few words.

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.

Well, thanks, Elizabeth, and good afternoon, everyone. Karen, Eva, I, and our IR team really appreciate the opportunity to spend time with you today and provide a business update and have a fireside chat.

Let me just remind everyone that we're going to make some forward-looking statements today. These statements are subject to risks and uncertainties, and actual results may differ from our projections. Now, some of these risks and uncertainties can be found in our SEC filings, including the Risk Factors section of our most recent 10-K; and our IR website includes reconciliations of non-GAAP financial measures that we disclose to the most directly comparable GAAP measures.

Now, we certainly have been busy at CVS. As we announced last month, Karen Lynch, currently President of Aetna, will become my successor on February 1, and I couldn't be more pleased with our board selection of Karen.

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This leadership transition comes at the right time. We've just passed the two-year anniversary of CVS Health and Aetna coming together, and I'm very pleased to acknowledge that the integration work is complete. We're now operating as one company through an enterprise lens. And, importantly, our transformation It is building momentum across the enterprise with the delivery of new innovative and integrated health products and services.

So, I will remain CEO until February 1, and then become an advisor to Karen and our board until the spring timeframe. And Karen and I are working closely together to ensure a seamless transition. Now, Karen is no stranger to most of you, and she has been an essential partner to me in both the development as well as the execution of our strategy over the past two-plus years. And Karen has deep managed care, deep leadership experience, and a relentless focus on the customer, and certainly a solid track record for driving growth and innovation.

And I thought I'd turn it over to Karen for a few words. Karen?

Karen S. Lynch

Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

Thank you, Larry, and thank you, Elizabeth, for hosting us. It's great to be here with all of you. I'm really excited about the opportunity to lead CVS Health at such an important time in our company's history. We're on a journey to reshape health care as we know it today, and our mission has never been more critical. I spent a lot of time over the last several weeks speaking to many of our customers and our partners. And it is very clear that they see the unique value that we're able to provide and the critical role we play within our industry and the communities across the country, particularly at this moment in time.

We are working very hard to address each meaningful moment of health in a person's life. And as consumers' needs and demands evolve, we continue to deepen our relationships and are becoming a bigger part of our customers' everyday health whether that's through our digital or in-home delivery capabilities, our health service offerings, or our integrated and personalized and convenient solutions.

I'm really excited about the opportunities ahead of us. And I look forward to sharing our progress with you as well as continuing to hear from you on your perspective.

With that, Larry, let me turn it back to you.

Larry J. Merlo

President, Chief Executive Officer & Director, CVS Health Corp.

All right. Well, thanks, Karen. And let me turn to the business because our third quarter and year-to-date results were strong, certainly underscoring the strength and resiliency of our integrated model, which as I mentioned a few minutes ago is gaining traction in the marketplace as we roll out new products and services.

Our revenue was up 3.5%. We delivered adjusted earnings per share of $1.66. We generated $12.3 billion in year-to-date cash flow from operations. And, importantly, we remain committed to achieving our low 3 times leverage target in 2022. As a result of our strong year-to-date performance, we have raised our full year 2020 adjusted EPS guidance to a range of $7.35 to $7.45, and we also raised our full year cash flow from operations guidance to $12.75 billion to $13.25 billion.

Now, bottom line is that our diversified health service model is working and that has certainly been demonstrated by our response to COVID-19 and the leadership that we have demonstrated in testing. And that will certainly

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continue with the administration of the COVID vaccine where we will play a significant role in communities, first in long-term care facilities; and at the appropriate time, in the general public.

COVID-19 and the arrival of new market entrants has once again allowed us to prove that CVS Health is much more than a pharmacy, and pharmacy is much more than just delivering medications. And CVS Health is well-positioned and prepared to continue to advance our strategy. And we could not be more pleased with our customers' reception to our integrated health services or more confident in our strategy and its ability to drive long-term shareholder returns.

So with that, Elizabeth, back to you.

QUESTION AND ANSWER SECTION

Elizabeth Anderson
Analyst, Evercore Group LLC

Q

Perfect. Thank you. And that was a great introduction and tons to unpack there, so we'll take it one bit at a time. So, I think one of the key things that I think is on everybody's mind every day is obviously COVID. Do you think that offering COVID tests and soon vaccines at CVS stores as they become more broadly available will have any long-term benefits in terms of health care branding of the stores and sort of shaping of the consumer perceptions for getting used to health care delivery in a retail setting?

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.

A

Well, Elizabeth, it's a great question and COVID has changed the behavior of people seeking care in, let's call it, non-traditional care settings. And a lot of that speaks to meeting people where they are. And many have heard us talk about this element of whether it's in the community, in the home or in the palm of your hand, and it's our definition of omni-channel for health.

And if you look at what we have built, we really possess all of the assets to deliver on all three of those dimensions. And, Elizabeth, you mentioned testing. By the end of next week, we will have COVID testing in about 5,000 of our locations. We've been rolling out over the last few weeks more point-of-care testing locations where we're doing the antigen test with real-time results in less than 30 minutes.

If we said at the beginning of this year that we would over a matter of a few months have tested more than 8 million individuals in terms of a diagnostic test for a virus, I think everyone would have rolled your eyes in terms of exactly how are you going to do that. But, as we sit here today, that's the reality.

And we talk about care in the community; we also talk about care in the palm of your hand. And we've seen, as everyone knows, dramatic increase in the utilization of virtual care. And we've had over 13 million visits, whether it's our E-Clinic offering through MinuteClinic or the capabilities through Aetna. And, importantly, Elizabeth, there's this intersection that emerges between community, home and hand.

And I'll come back to that in just a minute because, in the home, we've had over 170,000 visits in terms of working with hospital systems, discharging patients early, freeing up important bed capacity for those individuals that were well enough to go home, but were remaining in the hospital because they were on some type of infusion therapy. And our Coram infusion services was able to fill that void, freeing up important bed capacity.

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And everyone probably saw the announcement yesterday that we were selected, again, Coram, to provide the infusion for the recently approved Lilly product, the monoclonal antibody therapy for those diagnosed with COVID, symptomatic, but not severely ill at this point. And the clinical trials have proven that, that particular product can further arrest a more severe case of COVID.

And again, you think about the dynamic of we're going to provide that administration again in the convenience and comfort of the home. It's absolutely the right care setting. We don't want these people in the hospital, and we certainly don't want them in an ambulatory infusion site where they're going to be meeting individuals with compromised immune systems.

So, it's the capabilities that we brought, and I'd like to talk about this intersection because it's our ability to connect the dots across those assets in very differentiated way that if you go back to testing for a minute, we're utilizing our digital front-end capabilities to – an individual can go online. They can schedule an appointment. We can complete all the administrative things that are required for that test. But, as we know in health care, eventually oftentimes you need to touch someone.

So, you get all that work done digitally upfront, you arrive at the drive-through at CVS, and we're completing the test. And I think it's those capabilities that allow us to create a more seamless experience for the consumer of health care and to be able to do it in a very cost-efficient way.

So, I think that many of these capabilities will stay with us in a post-COVID world because, to your point, individuals are getting into the habit, the behavior change of seeking care in what many would describe as a non-traditional setting.

Elizabeth Anderson
Analyst, Evercore Group LLC

Q

Yeah. No, that makes a ton of sense. I guess on that topic further, Karen, I mean logically speaking – or logistically speaking, like, how do you view the state of readiness of vaccine distribution? Are there still a lot of things to be worked out? I mean, I know that the ACIP just approved a long-term care group 1a, and that's obviously a key portion that you're involved with. So, like, how do you see that organizational readiness?

Karen S. Lynch
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

A

Well, Elizabeth, we are at more than ready. We've been working on vaccine readiness for a number of months. Larry just described the testing platform; that gave us a good baseline of logistics and how to get our Retail stores and our settings ready. We've also been working really closely with Operation Warp Speed.

As a matter of fact, General Perna from Operation Warp Speed came to our facilities. Our team did a really good job of showing them all of our capabilities, our distribution capability; how we're thinking about refrigeration and freezer capabilities; how we are thinking about our hub-and-spoke model and getting vaccines from our hubs to all of our stores.

So, we are – and Larry mentioned we built out digital capabilities for testing; well, we've even strengthened those digital capabilities, and we have the capability to allow you for a round trip ticket, so to speak, because you have to get two vaccines, the first one and the booster shot. So, when you sign up to get your first vaccine, we immediately will sign you up for your second vaccine.

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Now, obviously, you heard yesterday – or the other day that the recommendation is long-term care facilities and health care workers. The states will be making those decisions. So, we're working extremely closely with the states. We have 30,000 long term care facilities that have selected us for the vaccine. So, we're ready and well-positioned to handle that. And then we'll work throughout with the states as they determine which cohort of individuals will get those vaccines.

And what I would say, Elizabeth, clearly, our ability in testing and our ability in vaccines truly does position us for the future to be in the local communities, to provide those health services offerings – Larry mentioned this – you oftentimes need to go see someone around [ph] your physical (00:14:00). We have those capabilities and these are good demonstrations of the capabilities that we have that really does position us for the future. So, we're really excited about that as well.

Elizabeth Anderson
Analyst, Evercore Group LLC

Q

Yeah. No, that's great. And then maybe from the financial perspective, how do you frame the potential financial impact for vaccine administration? Obviously, there's the core part of the actual administration and then people – I had somebody check in, like, how many potato chips are people waiting to get vaccines going to buy or whatever [indiscernible] (00:14:33). So, how do we think about that?

Eva C. Boratto
Chief Financial Officer & Executive Vice President, CVS Health Corp.

A

So, I think as you think about whether it's vaccines or testing, right, think about these more like services. The margin that we will derive will be above that of a typical prescription, right? Now, as it pertains to the vaccines what I would remind you is the government will cover the cost of goods sold, right, and health insurers and CVS Retail there will be an admin fee associated with the administration of that vaccine.

And, finally, what I would say incorporated in those economics, right, we will carry some higher operating costs related to the administration of these vaccines, whether it's the travel related to the long-term care facilities and the administration there, or as you think about drawing the syringes as the vaccine is expected to come in a multi-dose vials and drawing down of those syringes. But overall we're pleased with the value that we believe this will create and be above what I'll call a typical prescription, and we're ready as Karen said.

Elizabeth Anderson
Analyst, Evercore Group LLC

Q

That's great.

Michael Newshel
Analyst, Evercore Group LLC

Q

And, Eva, is there a lot of incremental cost to get ready still, or there's a lot of hiring you have to do to be ready to distribute the vaccine? Is finding enough staff going to be an issue at all, or is it already in place?

Eva C. Boratto
Chief Financial Officer & Executive Vice President, CVS Health Corp.

A

So, there is – Larry, were you going to take that?

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Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yeah. I can go ahead and take it, Eva. Mike, we – but, first of all, providing immunizations in long-term care, that's not new for us. We have gone to long-term care facilities, both skilled nursing as well as assisted living, for several years now as it relates to conducting onsite clinics for the seasonal flu vaccine. So, we have an infrastructure around how to think about that from a staffing point of view, recognizing that we're going to their facilities.

And Karen talked about as it relates specifically to COVID, the logistics plan is complete. Now that we know that over 30,000 facilities have selected us, we have completed the staffing plan. We began months ago. You may have seen a press release that we have some anticipation around exactly what the plan was going to be for enrolling long-term care. And we had started several months ago in terms of additional staff between 10,000 and 15,000 individuals.

So, a lot of that work is complete and as you heard from both Karen and Eva, we're ready to go. Once the vaccine hits our facilities, we expect to be in those long-term care facilities within 48 hours later beginning to provide vaccinations in the arms of what is our most vulnerable population.

Michael Newshel
Analyst, Evercore Group LLC

Q

Got it. And, Karen, I wanted to follow up, you made some comments about just highlighting the additional capabilities of things you can do in the stores. And I'm wondering, like, specifically, does this partnership with the government help with goodwill and getting reimbursed for more services? Like, might have helped with lobbying efforts to get provider status for pharmacists to get reimbursed for other services like ordering lab tests, or prescriptions, or even like simple medical assessments?

Karen S. Lynch
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

A

Yeah. Mike, obviously the pandemic has created a number of opportunities where we've seen those relapsed regulations that have allowed providers to do more capabilities like telemedicine or performing those services virtually. The other thing that we're very pleased about relative to vaccines is our pharmacy technicians now can administer the vaccines as well, which is new. We really pushed to have that occur. We'll develop very robust training programs around that.

So, as we look beyond this, we do expect to see and lobby for the pharmacist, the nurse practitioners to continue to provide other option for individuals in those lower cost settings like our MinuteClinics and our HealthHUBs. And we've seen states throughout this pandemic and throughout the emergency issue these executive orders that have allowed our pharmacists to do more and give us that flexibility.

And our hope is that given what we've been able to demonstrate and to show them what we've done with that flexibility that they'll be more supportive of allowing people to provide more services and to work more at the top of their license.

Eva C. Boratto
Chief Financial Officer & Executive Vice President, CVS Health Corp.

A

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And, Karen, if I could just add, as you look at the some of the regulations that have been relaxed during this time, as Karen said, telemedicine for our nurse practitioners [indiscernible] (00:19:50). We don't see a reason for that to go back, right? It's been a very effective, cost effective, efficient way to deliver care.

Elizabeth Anderson
Analyst, Evercore Group LLC

Q

Yeah. No, that's helpful. And maybe just to take a small detour from COVID. Another significant announcement that's obviously come out in the past couple of weeks is that Amazon is entering the pharmacy space. So, what do you think are the important competitive barriers to prevent Amazon from taking market share; is it something like relationship, network placement, costs, specialty? Larry, I'd be curious how you think about that?

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yeah. Elizabeth, look, it's been clear for us that pharmacy has been a target, potential target for Amazon for some time now. And if you look at the announcement and put it into, I'll say, it's appropriate context, Amazon really rebranded their mail order pharmacy, PillPack, and they private-labeled an existing drug discount card.

And keep in mind that we certainly haven't been sitting on our hands, and we have been on a journey to continually improve our customer experience. And as you think about the delivery of medications; you can get your prescription inside the CVS, you can get it at the drive-through, you can get it in your mailbox, or you can get it in your on your doorstep to include one-day delivery. And at the same time, our pharmacists have done a great job; we've provided them additional tools in which ways that they can help save their customers, their patients money. And we've invested to improve our online experience. So, a lot of this goes back to what I had mentioned in my opening comments that pharmacy is much more than just delivering medications and CVS Health is much more than just a pharmacy.

So, you're hearing a common theme this afternoon that we are a trusted resource. We're a diversified health services company where we provide a wealth of clinical and other health services that meet the needs of, today, one in three Americans. And you think about the role that pharmacy plays that goes well beyond just dispensing and delivering that prescription, we are an integral part of health care. Pharmacy has among the most frequent interactions with patients in our health system. And that provides pharmacists the impact to meaningfully improve outcomes.

And importantly, the majority of those interactions are face-to-face with someone that they know and trust. And look, you think about the relationship that we have with our clients, both our Aetna clients as well as our Caremark clients, they hire us to do more than just administer, deliver those prescriptions; they're accounting us to manage the patient in a more holistic fashion.

Prescription management is just one part of that equation to drive better care. And, yeah, our pharmacists interact every day, ensuring that their patients are staying adherent to their medications. And in our integrated model, we have been able to merge the medical and pharmacy data which has enabled us to more holistically manage that patient experience to drive better outcomes.

And look, I think that is a really key differentiator then that speaks to the role of pharmacy going well beyond just dispensing and delivering that particular medication. And a lot of what you're hearing this afternoon really speaks to the positive momentum that we're experiencing across the business as a clear point that our strategy is working.

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Elizabeth Anderson
Analyst, Evercore Group LLC

Q

Yeah, that makes sense. And Karen, is there anything to add from the plan sponsor side?

Karen S. Lynch
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

A

Yeah, Elizabeth, how I think about it and adding to what Larry said, we have a big platform too. We have 100 million members that interact with us through our Aetna and our Caremark customers. So we have that customer engagement as big as Amazon does as well. In addition to that, we have 75 million people who interact with us through our ExtraCare program and our loyalty programs, and we also have 5 million people that walk in our stores every day.

As I've been talking to employers, one of the things that they continue to talk to me about is how they're looking for that broad, comprehensive, integrated health care experience for their benefit offerings and for their employees. And that they talk about the importance of looking at one holistic health, and not just thinking about it in terms of medical or pharmacy or behavioral health, but that integrated offering.

What we have, we have mail order that Amazon just announced. We've been doing that for years. We accept cash cards at our pharmacy. We know how to do that. What we have is that we know health and we know the importance of local, personalized health. Health is not a transaction. It's not something that you go online and figure out and you order. Health is very personal to each individual's life, and that's what we have and that's where we are incredibly differentiated from Amazon.

Larry mentioned we have the ability to connect those physical experiences with those personal experiences and that we have that opportunity that employers are looking for; that personalized, that local, that seamless connection, and that we care about someone's health versus the transactional interfaces at some of our competitors and how they think about it.

Elizabeth Anderson
Analyst, Evercore Group LLC

Q

Okay. Yeah. No, that's really helpful. And then, Eva, how do you think about like the portion of the Pharmacy business that's [ph] cash based (00:26:29). I know that's always a question in terms of trying to give people perspective to.

Oops, I think we lost Eva on the sound perspective.

Eva C. Boratto
Chief Financial Officer & Executive Vice President, CVS Health Corp.

A

No. Sorry, I went on mute...

Elizabeth Anderson
Analyst, Evercore Group LLC

Q

Now, there you go...

[indiscernible] (00:26:41)

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Eva C. Boratto
Chief Financial Officer & Executive Vice President, CVS Health Corp.
A

So, as we think about the portion that's cash and cash card, it really hasn't changed over the last several years. It's in that around 5-ish-percent of our overall business. And like I said, while different players have come in and out and cash cards have perhaps grown; overall, that number just really hasn't changed meaningfully.

Elizabeth Anderson
Analyst, Evercore Group LLC
Q

Yeah. That's helpful.

Michael Newshel
Analyst, Evercore Group LLC
Q

And Eva, just while we're talking to you. I just want to make sure we got an update on – if you can provide on how utilization is trending in November. Are we still in that flat to down 5% versus normal that you guys already disclosed in September and October, or – and have we seen any decreases in non-COVID care as cases have spiked?

Eva C. Boratto
Chief Financial Officer & Executive Vice President, CVS Health Corp.
A

Yeah. So, Mike, let me take a step back for a second, right? During our Q3 earnings call last month, we showed what we were seeing in October, as you referenced, on the utilization side as well as more broadly. We have not seen any material changes from those trends that we spoke to last month. But let me give you a little bit more color as you think about that.

First as we sit here today, and you've probably seen this with publicly-disclosed data, right, there is really an absence of a seasonal flu season relative to the last several years. That affects our front store, as well as our Pharmacy businesses and MinuteClinic businesses. But you also get an offset as you look at medical costs, right, and the costs associated there.

On the Health Care Benefits side, in some geographies we've seen some pullback on elective, and hospitals are looking – as they're at full capacity – are looking for some liberalization of policies, and we have seen an increase in our membership positive with COVID. So, there's some of the underlying things we're seeing, but big picture really no meaningful change from what we said in October.

Michael Newshel
Analyst, Evercore Group LLC
Q

And do think the system...

Karen S. Lynch
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.
A

Yeah. And Mike...

Michael Newshel
Analyst, Evercore Group LLC
Q

Sorry, go ahead.

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Karen S. Lynch
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.
A

...Mike, just to add to that, I'd just say similar to what we saw in the third quarter, the same kind of trends with Medicare really down, commercial sort of a little higher [indiscernible] (00:29:11) performance relative to those segments, too.

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.
A

Yeah, Mike. It's interesting because – and maybe this goes back to Elizabeth's first question in terms of behaviors, that we will have more than doubled the number of seasonal flu vaccines this year. So, it's clear that Americans heeded the advice of our public health experts in terms of get your seasonal flu shot, and we'll end up administering close to 20 million seasonal flu vaccines before the end of the year.

Michael Newshel
Analyst, Evercore Group LLC
Q

Yeah, it's more than just a pull forward you're seeing.

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.
A

Yeah.

Michael Newshel
Analyst, Evercore Group LLC
Q

Yeah.

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.
A

Yeah.

Michael Newshel
Analyst, Evercore Group LLC
Q

And actually just real quick, just in terms of [indiscernible] (00:29:58) the volume, if you can do, of vaccines. Is there something we can think about in terms of like an average number of patients you'd be able to give a COVID vaccine in the store or you think about doing like drive-through setups that could even – you'd get more patients through faster?

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.
A

Yeah. Mike, look, it's a great question. And, look, I'll start with testing because it really becomes the proxy for vaccines in some respects. We have been able to take testing into historically underserved communities. And we've used specially built kiosks that we expect to be able to use also for vaccine administration, as well as working with local community partners in terms of using some of their facilities and bringing our resources to be able to provide that service to, again, those underserved communities, largely minority populations.

So, we'll be thinking about a very similar approach with vaccine administration. And, look, as we sit here today and it goes back to what we mentioned earlier, our logistics planning is complete. We have our staffing plans

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ready to go, and we expect to be able to administer between 20 million and 25 million vaccines per month. We will have the capacity and capability do that.

I mentioned earlier, we're doing testing in about 5,000 stores. We will provide vaccine administration by scheduled appointment in all of our 10,000 pharmacies to include those inside Target.

Elizabeth Anderson
Analyst, Evercore Group LLC

Q

And when we think about sort of the volume ramp maybe in other parts of your business, how do you think about it in terms of the Pharmacy as I think you talked about some of the continuation of some trends? But just to make sure we're clear on that point.

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.

A

Elizabeth, can you rephrase your question? I just want to make sure I understand it.

Elizabeth Anderson
Analyst, Evercore Group LLC

Q

Oh, sure. Just in terms of the Pharmacy, I think it just seems like there might have been a little bit of confusion. Just, I know we talked about some of the benefits in – the changes in the Health Care Benefits segment in the quarter. But just in terms of how do we think about the continuation of Pharmacy trends just from a prescription level, maybe ex some of the benefits from some of the vaccines. I think some people are confused about some of that.

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yeah. Elizabeth, maybe I'll start, and I'm sure Eva will jump in. I mean, look, we have seen coming into the fall period, as we've discussed, if you go back – maybe I'll jump back to March, we had a lot of pull-forward activity of maintenance prescriptions, ensuring that people were staying adherent to their medications. And that was pull-forward activity into the month of March that you see this a bit of a spike in volume as you come up on those three-month increments.

And that will begin to level out over time. There's no question that we saw a lower number than compared to historical practices of new to therapy largely acute scripts. And that trend has continued to a lesser degree than what we saw back in the spring timeframe, but certainly not back to what we would expect to see under normal circumstances.

The third point that I would mention is, as Eva pointed out, there is no evidence of any broad seasonal flu. If you go back and look at where was seasonal flu this time last year, we started to see it appear in the October timeframe. It began its ramp-up in November and the early part of December before it started to wind down. And then we saw another wave of activity in the late January timeframe.

But as you look at the core maintenance prescriptions in terms of people with chronic disease, staying adherent to their medication, we have not seen any variation in those levels. And specialty pharmacy has remained strong during this period of we'll describe as uncertainty.

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Elizabeth Anderson
Analyst, Evercore Group LLC

Q

Yeah. Okay. Perfect. That's super helpful. And then maybe thinking in terms of more broadly some of the structural changes that are a result of COVID. Karen, how do you see – like, what permanent structural changes do you see to the health care system? Thinking like maybe telehealth or obviously alternate channels or avoiding the ER. Like, how do you see that playing out?

Karen S. Lynch
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

A

Well, it's – we have seen a number of consumer behavior change dramatically throughout this period, and we expect a lot of them to stay the same. We think that, as you said, consumers have been much more receptive to engaging in telehealth capabilities. They've been much more receptive to in-home type of services, more digital-first capability.

And if you think about what we've been able to do, we've been able to quickly adapt to those. We built our E-Clinic capabilities through MinuteClinic. We built digital capabilities to schedule testing and for vaccines. We quickly adapted the business to support that in-home delivery. So, as we think about the future, we have the capabilities to continue that innovation to be nimble and to quickly adapt to those consumer behaviors because many of those that I just described will remain.

But, as we've said before, in health, it's personal. In health, you can't just be – at some point, you kind of have – someone may have to touch you or, like a vaccine, someone needs to, for now, put it in your arm. So, I think, it's important for us for the future to really think about how we seamlessly connect all of those experiences. We think about digital capabilities for that simple experience, and we really drive to that personalized health because health is truly personal.

Elizabeth Anderson
Analyst, Evercore Group LLC

Q

Yeah. And as we think about those, sort of, in that integrated care model and the HealthHUB and digital and all these different things, how does that impact, like, patient stickiness once they sort of enter that ecosystem, and maybe also the ability to retain scripts?

Karen S. Lynch
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

A

Yeah. So, I think you think about what I said earlier, our customers are really interested in that kind of holistic care and that they want that seamless experience. Our ability to interact with them in that kind of number of places and seamlessly connect them will drive that stickiness. And if you think about what I said about we have a big platform; we have 100 million people within our businesses that we can drive additional health services, create those experiences that drive that stickiness for that consumer or for that employer that's looking for quality access, lower cost.

And we have all the capabilities. You think about our Coram services. You think about accessing the pharmacy scripts in our stores or delivering from home. We have the MinuteClinics. We have the HealthHUBs. We have the ability for all those experiences. And once you create that loyalty – and we have loyalty programs – once you create that loyalty and those experiences where the pandemic has showed us, people want that one-stop shopping, we can create that seamless experience and improve that stickiness. And that's really our goal and we'll measure that through our retention capabilities.

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Eva C. Boratto
Chief Financial Officer & Executive Vice President, CVS Health Corp.

A

And Elizabeth, to take your question to Karen and your earlier question to Larry and put them together, right, what we've seen in our HealthHUB today through Q3, right, as you look at MinuteClinic visits, right, they were – chronic visits represented about 16% of visits, up meaningfully versus last year. Now, this is through the COVID pandemic, so you want to balance your excitement with that data, but it shows that people are thinking differently how to utilize MinuteClinic.

And Karen's stickiness point, right, we haven't spoken about our Pharmacist Panel program. That's a way to engage differently. As we said, scripts not just dropped off at your doorstep, how are you engaging on that next best action with that patient, and that's create the connectivity. And we're quite pleased with the engagement that we've seen to-date and where those programs are going. So, you'll hear us talk about that more, but just to give you a couple tangible examples.

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yeah. And Elizabeth, if I could add one more – I guess one more proof point around that is we talked about testing earlier. 70% of the individuals that we've tested have not had a prescription filled at CVS in the last 12 months. Now, to be clear, we're testing all age deciles, and I'm sure some percentage of those pretty healthy, younger, have not had a prescription need; but there's a huge opportunity as we continue to advance our agenda to engage and communicate, to educate in terms of the health services capabilities that are resident to them in their community. So, it is pretty exciting in terms of what we're experiencing and the opportunities for the future.

Michael Newshel
Analyst, Evercore Group LLC

Q

And maybe just changing topics to policy and maybe just to start off, Larry, just any general comments you want to share on the election results or any expectations in the change of administration.

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.

A

You know what, Mike, maybe I'll just acknowledge that, look, as we have gone through the last several months, we have had a regular dialogue with members of the President-elect's team in terms of things that we were doing, things that we were experiencing as we went through COVID. And it was actually earlier this week that we gave the president-elect's COVID task force a formal presentation in terms of the work that our company has done from testing, to the planning that is completed in terms of the role that we will play in vaccine administration, and even talking about the announcement of what we touched on earlier in terms of the infusion of the new monoclonal antibody product.

So, look, I think we have been pleased with the dialogue that we've had. And the question that we often get is what do you believe the president-elect's agenda will be and, I mean, I think it's probably going to be early on focused on economic stability and certainly the COVID; and any broader health care agenda will take a backseat to that, as well as probably waiting for the Supreme Court decision on the ACA.

And, look, I think everybody was a bit surprised during the oral arguments in terms of what many believed was an all-or-none dynamic that the severability of the mandate may certainly be an option that many thought wouldn't. So, I think most believe that we'll hear the decision around that perhaps in the late spring, early summer timeframe.

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Michael Newshel
Analyst, Evercore Group LLC

Q

Got it. And I know we're coming close to the end of our time here, but I said I wanted to make sure I ended it with you, Karen. Kind of, as you take the baton from Larry here in February, what are you thinking in terms of your first one to two years? What are your priorities? What are you going to focus on when you're at the helm?

Karen S. Lynch
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

A

Yeah. So, Mike, thanks for the question. First of all, there's a number of different priorities and we've talked about some of them today that are really important to the company. Despite the pandemic, our businesses are performing really well, so we'll want to continue to make sure that we're innovating and growing, and creating value for those businesses.

But where I'll be spending my time is really looking for the future, looking at those changing consumer behaviors, looking at the changing landscape in personalized medicine, and looking at the acceleration of digital and AI and analytics, and making sure that CVS is well-positioned for the future.

And then the near-term, very near-term priority is working very closely with Larry to ensure a very smooth and successful transition, and making sure that we're meeting the needs of our customers and our colleagues during this pandemic.

Elizabeth Anderson
Analyst, Evercore Group LLC

Awesome. Well, unfortunately, we have to leave it there. I'm sure we could go on for another 45-minute session very easily and still not cover all the topic. But I wanted to thank everyone – Larry, Karen, Eva, Katie, Valerie – for joining us today. It was a great conversation and it was really nice to chat with all of you.

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