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CVS Health Corp. (CVS)

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MANAGEMENT DISCUSSION SECTION

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Great. Good morning, everyone, and welcome to the CVS Health Session. I'm Bob Jones. I'm joined by my colleague, Kevin Hartman. We cover Health Care Services here at Goldman Sachs. Very excited to have CVS with us today and representing CVS, we have, Karen Lynch, President and CEO. So welcome Karen. Really appreciate you doing this.

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

Good morning, Bob, and thank you for having me. I'm really excited to be here.

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QUESTION AND ANSWER SECTION

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

Great, great. Well, I think everyone knows the format. Very interactive to the extent that there are questions please send them to me. But to kick things off, Karen, I thought maybe given relatively new to the role and the fact that we're about 2.5 years now past the Aetna transaction. Obviously, the pandemic hopefully, we're coming out of that. Knock on wood at this point.

It feels like you know investors are starting to be able to kind of look out into the future hopefully, a more normal future than what we just came through. And so, I thought it'd be helpful maybe just to hear your latest view and thoughts about maybe the top two or three things that you're most excited about. The most exciting opportunities, if you will that the company has ahead of it particularly obviously, as it relates to integrating – continuing to integrate the capabilities with Legacy CVS and Aetna?

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

Well, Bob, thanks for the question and it's hard to believe it's 2.5 years already and having a pandemic smack dab in the middle of that transaction. Clearly, we've seen a lot of change in consumer behavior. Clearly, the pandemic showed us the importance of local community and really reinforce the fact of healthcare is truly local. There are a number of things that I'm really excited about. But given what we've just gone through, what I'm most excited about is really being able to reposition the company and really shift it more to kind of a health solutions, a health services company that clearly has retail presence to support the growth of our main businesses, our insurance businesses.

And as I think about our company, I think about the – [ph] meeting (02:18) people on their continuum of care. And we have the opportunity to have a number of assets to support people on their healthcare journey. First is through our financing mechanisms, through our insurance capabilities and then through the delivery of care through our HealthHUBs, our MinuteClinics, our Corams. So we have the opportunity to think about reducing medical costs, improving access through the delivery of care and then obviously continuing that ongoing management of care for individuals through clinical programs like the programs we've introduced our oncology, our diabetes and programs yet to be introduced.

So as I think about kind of what's there – things that are really exciting is just continuing to emphasize the integrated value of our assets and really combining – we started this journey, as I've said before, just providing medical and pharmacy. But there's so much more that we can do by introducing new capabilities. I'm excited about thinking about how to leverage digital in a much more meaningful way, Bob, because as we both – in the pandemic, people are using digital in very different ways.

And as I think about our digital transformation, not only do I think about it with interacting with the physical and the virtual presence, it's also helping us think more broadly about transforming our costs of the company. So, lots to be excited about. Those are a couple of things that I'm excited about. But I could probably spend the whole 40 minutes talking about the excitement I have, but then you probably will be able to ask me more questions. So I'll let you go.

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Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

No, no, no. I appreciate that, a great way to kick things off. And, yeah, I mean, as we were going through the questions, there's clearly a ton to dive into given all that's going on at CVS. But I thought maybe we'd just start with the PBM. I know we could start a number of areas. But just given the segment has really been a strong performer of late, I think it's really clearly surprise to the upside for a number of quarters now.

One of the things that the company's pointed to has been the growth in specialty, which we've heard about across the industry. I was wondering if you could just give us a little bit more context about what you see as the main drivers of the real outperformance in the PBM. How sustainable is it? And then within specialty, what are the things there that you think are really exciting and helping drive the growth that we've seen?

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yeah. I would just remind you that our growth continue – we have continued momentum of growth in our PBM, and it really factors in a couple of things, one, our improved purchasing economics that we've talked about. We've also experienced the wrath of specialty generic launches in addition to kind of delivering those integrated offerings that I talked about earlier. And you asked about specialty. Specialty comprises about half of the pharmacy spend. And we are very focused on controlling costs with our specialty pharmacy.

We just recently showed our trend management report, which continues to demonstrate that our programs are quite effective. We delivered market-leading drug management spend of 2.9%, where 34% of our clients had basically zero or negative trend. So we're quite proud of what the teams have been doing to manage overall costs. I would say that we have a number of differentiators in our specialty pharmacy. The first is our member connectivity. We've really been investing here with digital capabilities and we have strong member connectivity.

The second is our provider connectivity. We have a seamless experience with our providers that is unparalleled. The third is just like I said before with integrated billing of medical and specialty capabilities that others don't have. And then I would just say consumers are looking for choice. And we allow, through our Specialty Connect product, consumers to have that choice.

So, overall, I think we're very strong. But I would just remind you that we had a strong first quarter in the PBM. That will be our highest sort of quarter. As we mentioned on our quarterly call, we expect those earnings to moderate in the latter half because we were benefiting from some of those wraths of those generic launches in 2020. So don't factor in what we saw in the first quarter and trend it all out. You'll see some – you'll see that moderate in the latter half of the year.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

Now that makes sense. I guess, one of the other key questions and discussions that we get into around the PBM is just the selling season and this – and the RFP cycle this year. I think a lot of the feedback we've gotten from the companies and from consultants is that obviously 2020 was a bit of an anomaly.

A lot of folks were focused rightfully so in other areas of managing their members' health benefits and maybe postponed or didn't want to go to market with their pharmacy offering. We're sensing that that could have created a bit of a pent-up RFP demand, if you will, for this selling season. Are you – I know it's still – we're halfway

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through the year. I mean, are you sensing that within the PBM that this could be maybe an outsized year as far as the number of RFPs that are actually out in the market?

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

Well, what I'd say for the 2022, we have seen slightly above normal relative to RFPs. I do think we might see more will come out in 2023. But what I would tell you relative to our selling season, we're quite pleased with the business that we have already that we know that we've been awarded.

And we think we've kind of won our fair share. Well, I would also tell you, Bob, that we've had very strong retention. Now having said that, we've talked about that this was that – we didn't have a lot of our own business out to bid. But what we did have out to bid, we've had exceptionally strong retention. So, we're feeling good about the capabilities and what's resonating in the market relative to our PBM.

I would also say that I don't just look at it kind of what's in the PBM. I look at it more broadly how are we positioning ourselves in the market relative to the integrated value. Are we seeing medical pharmacy? Are we winning more? Are we selling into the medical side? Are we kind of vice versa, having PBM opportunities where we can sell more medical? And we've had really good results to-date on that as well. And as I've mentioned in the past, what we've done and I think this has been unique to us is we combine our sales force. We go out to the national account markets for our integrated value.

And while we're on the topic of PBM, let me just comment on the selling season for the Healthcare segment and our view. What we've seen is we've really seen strong growth in Medicare pipeline We barely seen strong growth Medicare pipeline this year, it is better than last year and we are still in the process of closing out some of those bids. But it is above where we thought.

And then on a national account side for the commercial business, it's about the equal to what we saw last year, again, we're still in the throes of that selling season as well. So more to come when we come out with our second quarter results we'll have more insights into that business. But on both fronts group Medicare and in national accounts we've had really strong retention.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

No. That's really helpful. And appreciate that commentary. I mean, I guess just really quickly on the RFP you mentioned seeing enough data to kind of know what's resonating, what is resonating out there today not just for CVS but what our client is asking for. You mentioned the combination of the pharmacy medical or there are other things just within pharmacy that that people are looking to get deeper into. Just curious what's most important a benefit manager this year?

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yeah. So similar to most years, how are you managing pharmacy trend and how are you thinking about specialty pharmacy. That is a really big discussion area for most of our clients because as you know that is the highest trending part of pharmacy these days. So that's where we've been able to have tremendous success given our specialty pharmacy capabilities. And those are the two big things. Then obviously when we talk about integration, how are we thinking about managing the holistic person that continues to resonate with individuals. So but those would be the three things that the – that customers are talking to us about right now.

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Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

That's helpful. One question that kind of relates to the specialty dynamic and people try to manage the medical and the pharmacy that kind of cuts across specialty. But one specific one that's obviously very recent was the breaking news in the Alzheimer community with the approval of Biogen's Amab. I know it's early days, and so, there's probably not a ton to go on here. But I just was curious kind of initial reactions.

We've gotten a lot of questions. This is clearly a MA population, if you will. And so, we've gotten the question of just how are MA carriers, at least initially thinking about this drug and coverage and management and potentially, how they would restrict for certain access. Again, like I don't expect the time given it came out this week, but just curious any initial thoughts on it?

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

Well, a couple of things. I think obviously, we all know that there are 6 million people that suffer from Alzheimer's disease. This drug could be life changing for them. And there's a tremendous amount of spend in this category, relative – and relative to kind of the Medicare population. We are having our P&T committee look at it. Clearly, CMS has not approved it yet. So that's – that is yet to be determined on what guidance they give relative to reimbursement.

But right now, early stages, we're actively engaging in all the diagnostic information. We don't think this will have significant MLR impact this year or next year, given what – given sort of where we are in the population. But obviously, we need to wait for CMS to approve that pricing.

The only other thing I would say is, if you think about this drug and the benefits we have the opportunity through our Coram business to infuse this. This is an infusion drug. It's also a drug that's a medical benefit. It's going to show up on the medical benefits as you know. And then so, Coram is – we have an opportunity there obviously through NovoLogix. We have an opportunity there through management of this drug. And then on Medicare, obviously, we've been tracking this drug. We know about this drug. And we'll evaluate it as we know more information.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

No, great. Appreciate that. And maybe just one last one as it relates to prescriptions and the PBM specifically. And obviously, CVS has a really unique perspective given the PBM and the retail asset. But we get the question a lot of kind of where are we in the script recovery cycle. So just was wondering if you had any latest thoughts on kind of what the volumes look like today versus what they looked like before the pandemic. And if they're not all the way back, are there specific categories that you would call out as far as maybe still being a little weaker than they would be otherwise?

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yeah. So I actually get the benefit for the whole pharmacy [ph] continuum (14:56) from the Aetna side to the PBM all the way to retail. We are starting to see script volumes coming back. Obviously, it's been a light cough and flu season, so those scripts [ph] aren't (15:12) where we would anticipate it. But we are starting to see those volumes come back in April and May, continue to increase those numbers. So my expectation is that we'll start to

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normalize that volume across as we go through the year and obviously it'll depend on what happens with the cough and cold season and flu season later this year as well.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

Right. Now, it makes perfect sense.

Kevin Hartman
Analyst, Goldman Sachs & Co. LLC

Q

Hey, Karen, thanks for being here and super helpful detail so far. I thought maybe we'd switch it up and just go to the healthcare benefits segment. I know we've touched on some of this already. But on the utilization side, generally what have you been seeing? I know, like in 1Q it sounded like COVID utilization may be a little higher, non-COVID utilization a little bit lower kind of across the board. More real time, how have you seen things shaking out? And just where's that come in relative to what you guys have been thinking into this part of the year?

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

Well, hi, Kevin. So what I would tell you is that the utilization patterns are in line with kind of what we thought would happen, maybe a little bit better than what we thought. But we have continued to see the treatment costs for COVID decline. We've seen testing costs decline as well. We saw vaccines continuing to be elevated and then a non-COVID utilization.

We're starting to see the utilization continue to rise. It's still below our normal levels, particularly in sort of our Medicare business, but a little bit slightly below. But generally in line with what we had thought. We aren't seeing kind of any changes in the acuity. So there's – you're not seeing an emergence of higher acuity patients coming through, so generally aligned with what we had thought. And obviously, it's a fluid situation and continue to emerge throughout the year. But as we've kind of seen the results through the April-May timeframe right in line with kind of where we thought it would be.

Kevin Hartman
Analyst, Goldman Sachs & Co. LLC

Q

That's good to hear. I think in a similar vein, one thing that always comes up this time of year is just with MA bids obviously being due in early June. And so, again, pretty dynamic year, especially as it relates to deferred care coming back. And so just curious what you guys were baking in as it relates to deferred care potentially coming back. And just any general sense of how you guys approach your bids this year would be great.

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yeah. So, as you know, we just put in the bids. As you would imagine, we continue to leverage our product designs around the whole company. So that's one characteristic of the benefit designs that we submitted. We also have expanded our footprint and our coverage, so once again kind of taking another step up in geographic access. And then – I'm not going to obviously share all that much broader bids, [ph] or I'll give any (18:25) competitive insights here. But we obviously made balanced assumptions around our pricing. We took a variety of factors, a variety of variables. We looked at kind of starting from 2019 what would sort of be a trend from the 2019 standpoint.

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COVID isn't going away. So we factored – we didn't think it would go away 100%. So, obviously, we factored some of those variables into our overall thinking. And then we also have the PDP pricing. Again we're sort of on our three-year journey there finalizing our strategy to put – be in the competitive place for PDP so that we can continue to take advantage of PDP conversions to MA. And we're having really good success with that this year. And so is this part of our overall strategy kind of getting that PDP business converting to MA? So we just – so we feel really good about how we positioned our bids this year and continue to expect to grow that part of our business.

I would tell you that as we think about where our growth been – our focus there is, it is in MA. Government businesses Medicaid, the entry into the individual market and obviously, integrated offerings as well. So that's a big focus of ours. And then, leveraging the company assets to manage medical costs. And kind of have differentiated capabilities as we go-to-market.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

Karen, if I could just add one just to the follow up on that and more mechanical question. Like, to the extent that something did change and this was a question that we had gotten to on like an Amab approval or if there is a coverage determination. Like, what's the flexibility on being able to go back and change your MA bids? If something that arguably could be fairly significant is introduced into the equation after the bids have already been submitted. Is that something that can be done?

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yeah. It's difficult, but depending on what it is. It is really hard to do that. But there has been times in the past that changes have been made. So obviously, CMS would typically, work with the industry on those kinds of things. But I don't anticipate major things coming up that would impact the bid substantially at this point.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

Okay. Thank you.

Kevin Hartman
Analyst, Goldman Sachs & Co. LLC

Q

Maybe one last one here. Just on the exchanges. I know you guys mentioned your intention center or re-enter the market coming up next year. That's certainly a market that's the competitive landscape seems to be evolving pretty quickly. And so, just overall again, I know it's early and I don't know how much you'll be able to provide from a competitive standpoint. But curious, if there's any detail you might be able to give just on what do you guys are intending or how are you going to approach the market? Maybe having a push you might make in year one and just any general sense of what your strategy is going to be in this market kind of in the near term?

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yes. So one I would start is if you think about what the Biden administration has done clearly has made it a – an attractive market. 2 million more people entered into the individual market this year. So we're pleased at having that opportunity to look at that market which is 12 million to 15 million people that we haven't quite frankly been playing in.

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As I've said before, Kevin, this is the first time that we'll go out with a Aetna CVS Health-branded product, leveraging kind of all the capabilities of the company, so leveraging our standard formularies, using our minute clinics, leveraging kind of the Coram assets. So, there's lots of things using kind of the subscription service that we have through CarePass, so lots of things that we'll be bringing to market with this product.

Clearly, we've indicated that we'll be – we'll start with eight markets. I'm not going to share what those eight markets are with you obviously. We'll start there. And we're very, very focused on having firm pricing discipline, having an appropriate network to support the individual market. And we are almost done our filings. So we hope to be able to share kind of more about those markets and everything as the year unfolds. But we're quite pleased and we're really excited about having something that will look a little bit different in the market considering all the assets that we can bring to bear and really testing that CVS brand in the market as well.

Kevin Hartman
Analyst, Goldman Sachs & Co. LLC
Q

I think that makes a lot of sense. One other one, again, I'm sorry for – I'm bouncing out on the wall...

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.
A

No, that's okay.

Kevin Hartman
Analyst, Goldman Sachs & Co. LLC
Q

...off your benefits. But redeterminations, I'm not sure if you have any updated thoughts on like when you think those might resume and just generally how you're thinking about what the impact there might be on the Medicaid side once those do actually start to play out.

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.
A

Yeah. So, obviously, we have the federal emergency through the end of the year and we've factored in what we think that redeterminations will be for the end of year. It will slow down obviously as people – more and more people come back to work and then – and that's how we've been thinking. But obviously, there's individual states that are making changes and we're monitoring that very closely as well, so more to come on that.

But I think – I think in 2022, you'll start -you'll start seeing a change, but there's obviously a lot of discussions right now in the administration talking about what do we do with those individuals that have had sort of the Medicaid insurance and the redeterminations and how we think about. So, we're having a lot of discussions with Washington right now and kind of what – kind of strategizing around how to think about that going forward.

Kevin Hartman
Analyst, Goldman Sachs & Co. LLC
Q

Super helpful. Thanks.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC
Q

I guess, before we move on from ACB, just one follow-up, Karen, to a comment you made earlier on the group MA being strong. Was that – I'm just curious, is that because of a few particular wins that were of size within the

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group MA space, or is it more of a general traction because the offerings evolved and become more attractive? Just curious [indiscernible] (25:31) just curious what your perspectives on...

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.
A

Yeah.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC
Q

...what drove that.

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.
A

Bob, I was talking about the RFPs I was talking about the RFPs, the volume of RFPs is very strong and higher.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC
Q

Okay.

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.
A

So that we see in that. So we're still working on some of the group Medicare bids. But we've had some wins. But we're not closed out for the year yet.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC
Q

Okay. No. Thanks for that clarification. Appreciate it. Maybe just to shift gears to the Retail segment, I mean, obviously, the pandemic affected every part of the business. And I think this one may be most visibly positive and negative. I'm just curious, if you think about, hopefully, starting to get past the impacts from the pandemic, how do you think about the building blocks of growth around the Retail segment? I think coming in to the pandemic, there were some strengths and some weaknesses. The front end had some categories that were kind of holding ground and some that maybe weren't as much. As you try to envision life beyond the pandemic in the Retail segment, how would you have investors think about the growth outlook?

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.
A

Yeah. So it's a really good question. I think the first thing I would say is, we benefited tremendously from testing and diagnostics, and really put sort of ourselves on the map not as a sort of corner drugstore, but really kind of a health destination. So I would think about that in context of our kind of broader insurance businesses to kind of start with that. We do have the opportunity to kind of think about how to position ourselves with diagnostic testing and a little kind of expanding our services in our MinuteClinics.

The [ph] front store is (27:22) not a kind of a big or material part of the business as you know. Really, sort of the important part is the pharmacy, script volume and, clearly, leveraging those retail locations to support kind of that management of health, that site of care and think about the opportunities we have leveraging the HealthHUBs.

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Now, I would just remind you that the HealthHUBs are part of an overall strategy. They're not kind of the whole strategy.

Obviously, we are looking at opportunities to build on our own services. We're expanding digital and making that whole connection. And so that's how I would think about some of those retail locations. And then obviously, as I've mentioned, I'm evaluating what is sort of the right footprint, how do we think about that going forward. And we're doing some work around how should we be thinking about that footprint as it relates to our broader business.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

No, that's really interesting. And I know we've talked about this in the past. And I think it's become clear that the HealthHUB is part of the overall plan. As we think about from the time the Aetna transaction occurred to today, it seems like obviously some of your other competitors in the kind of retail or primary care or even managed care space have gotten really deeper into primary care and having doctors in different ways.

How do you think about the evolution of the actual store? I know you mentioned the footprint being something that you're considering. But just curious, do you think the offering today is keeping pace with what some others are doing as far as building in actual primary care practices or maybe from the managed care side buying primary care practices? Just curious what your thoughts are on how the world has evolved.

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yeah. And it's a really good question, Bob, and how we've been thinking about it. And we are evolving some of our thinking. First, as you know, we've talked about the virtual primary care and positioning ourselves with virtual primary care. We're in the market already selling that product. We're continuing to build out that capability. That gives us another avenue to take that virtual primary care carrier and then having the first line of defense, so to speak, into the HealthHUBs and sort of driving that traffic.

If you think about the HealthHUBs today, we have the opportunity to interact with a variety of primary care carriers to kind of push business into our HealthHUBs into those locations. But we are looking at do we have the right services, is there a broadening of the services, how do we expand our diagnostic testing, how do we make these HealthHUBs more attractive. And that work is underway for us to really strategically position those HealthHUBs as those health destinations considering nurse practitioners can already do 80% to 90% – 80% of what a primary care. But we're evolving our thinking around primary care and our first foray into that is this virtual primary care strategy that we're employing.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

Yeah. No, that's super helpful.

Kevin Hartman
Analyst, Goldman Sachs & Co. LLC

Q

One other area you touched on earlier, which is a little bit more near term was just the vaccines and testing. And so I thought maybe you could just go out in one go. On the vaccine side, I know you're talking about, I think, 6.5 million people getting vaccinated through April. Any sense you could give us on just where that number might stand today? Any detail about how we should be thinking about the impact in 2Q specifically?

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And then, on the testing side, I think the economics of the vaccine are definitely well-understood. The testing, I think, is still a little bit more nebulous. And so, similar type of question, any detail you can give on how you're thinking about the economic impact there and how you'd expect that to trend over the course of the year as the vaccines do become more prevalent?

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yeah. It's – for testing, we – and as you know, we're the largest testing carrier today. We have almost 8,000 of our facilities are doing testing. Testing has been declining. So – and we would expect it to decline as more and more vaccines are emerging. In addition to doing testing at our locations, we've also delivered a – what we call the return-ready product where we were working very closely with a number of large employer groups which many of them have not even had an interaction or don't have medical or pharmacy business with us today.

And that has been a really good part of us to engage employers in a very different way for testing. Again, all those testing numbers are starting to decline and we expect them to decline for the remainder of the year. Relative to vaccines, we're over 20 million vaccines to date. We are continuing to do about 90% compliance on second doses for our vaccines. We have made a foray into the pediatric vaccines. We have been – and we've seen an increase in hesitancy.

So we're starting to see lower vaccines – first dose vaccines coming through. But we have maintained our market share relative to vaccines. We pay attention to that very closely. We've been doing a lot of – we've obviously been working very closely with the administration to help them to get 70% of Americans vaccinated by July 4. You saw that we did a big sweepstakes to have people be attracted to CVS.

Since we've announced that, we've actually seen an increase in the number of people coming into the stores for vaccines. All those sweepstakes were donated to us. So it didn't cost us anything. So – of which I think it's important to know. But we – so relative to vaccines, we're still on our trajectory of where we thought we would be. Keep in mind that we did not have boosters in our projections. But we really do need to continue to push and we are pushing all avenues to get people vaccinated.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

Great. All right. Just in the handful of minutes we have left, I wanted to touch on just two more forward-looking kind of earlier initiatives, if you will. One was the CVS Health Ventures. I thought that was an interesting change. So I just wanted to give you a couple of minutes maybe to talk about what was the impetus for this. It sounds like it's been focused on digital health which is near and dear to us. I was wondering just what's the fund's goal or potential, what motivated the initiative.

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

As I've said, we really need to be innovative around digital. And this isn't the first time we've sort of been investing in these kinds of assets. But I really wanted to make sure that we had a dedicated and keen focus on looking at early stage opportunities to keep that focus on digital health to see what's going on in the marketplace to keep that as fresh and innovative. And that's really why we did it.

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And as you would imagine, Bob we've had a lot of interest in the fund. We haven't invested in anything and we're evaluating that today. But it really was to understand and stay very close to kind of the next generation of where health is going and particularly, in the digital space. And I'm particularly excited about it. I think it's an important part of our innovative strategy moving forward. And we've got a team dedicated to it and we'll continue to evaluate those early stage companies.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

No. It sounds really fascinating. I guess, the other area that kind of emerged in COVID was actually helping out and assisting in clinical trials. I think maybe it started with COVID, but now, it's obvious expanded beyond that maybe within oncology. I'm just curious, as you think about participating more in drug development and clinical trial work, how do you envision CVS' role in that space?

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yeah. So, as you know, it's like the clinical trials mark is a $40 billion market. We did some work through COVID on helping with clinical trials. We'll be part of the testing. That's where we'll play. Obviously, we have the opportunity to have people come to MinuteClinics, the HealthHUBs as part of those clinical trials. So as you can see, it's an extension of in that kind of an adjacent extension of some of the things that we can do.

And obviously, we have the access, we have to reach to help with the clinical trials. And it makes sense. And obviously, it's not going to be sort of this huge business. But it'll be an opportunity for us to kind of leverage the assets that we have in our retail locations. And we're really excited about the – we're hiring some pretty talented clinical trials people to increase this business and help with the clinical trials, but also user assets more than we are today.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Q

Yeah. It certainly seems like you're at a sweet spot to leverage in that area. Last one and then we're getting up on time here. But – and you touched on some of these throughout the conversation this morning. But you're getting close to that target leverage ratio that was set out post the Aetna deal. And so you talked about some areas that you as a company are very interested in getting bigger. And could you maybe just help us think about the priorities in your mind from a capital allocation standpoint as you get back to that or close to that target leverage ratio?

Karen S. Lynch
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yeah so you're right. Our first priority is to get back to that leverage ratio. Obviously we're continuing to commit to dividends and then growing our company using some of that can continue to invest and grow. And then obviously returning to shareholders and we'll continue to evaluate. That's how we're thinking about it right now.

Robert P. Jones
Analyst, Goldman Sachs & Co. LLC

Awesome. Great. Well I think we're just about up on time. So I wanted to thank Karen so much for being here. Thanks everybody on the webcast. I hope everybody's enjoying the conference and definitely look forward to seeing the evolution at CBS. Thanks so much, Karen.

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Karen S. Lynch

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

Thanks, Bob. Thanks, Kevin. Have a great day.

Robert P. Jones

Analyst, Goldman Sachs & Co. LLC

You, too.

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