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Event Details

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Company: CVS Health Corp.
Ticker: CVS-US

Company Participants

Karen S. Lynch - CVS Health Corp., President, Chief Executive Officer & Director
Shawn M. Guertin - CVS Health Corp., Chief Financial Officer & Executive Vice President

Other Participants

Lisa C. Gill - Analyst

MANAGEMENT DISCUSSION SECTION

Lisa C. Gill

Good morning. My name is Lisa Gill, and I'm the healthcare services analyst with JPMorgan. It is so much fun to be back in the big room again this year. It's been three years since we've been live, so I am incredibly happy to have with me this morning CVS Health. With us today is CEO, Karen Lynch. Karen will kick off with a few slides and then join myself; and CFO, Shawn Guertin for a fireside chat after her presentation.

So with that, Karen?

Karen S. Lynch

Thank you, Lisa. Good morning, everyone. It's a pleasure to be with all of you today, and happy New Year to all of you. I'm going to provide an overview of CVS Health, a little more detailed than probably normal for those of you who may not be as familiar with CVS Health. And then for those of you who are familiar with CVS Health, it'll be somewhat of a refresher.

Before we get started, I think, I have to click, I'm obligated to give you our cautionary statement. Obviously, this presentation contains forward-looking statements and uses non-GAAP measures. So I would just encourage you to consult our SEC filings.

So, let me talk a little bit about our company and give you a perspective. As a company, we have over 300,000 purpose driven colleagues that are driving the improvement of healthcare across America. At the end of 2022, we expect to achieve over $300 billion in annual revenue. We'll have over $17 billion in adjusted operating income and will generate between $13.5 billion and $14.5 billion of operating cash flow.

As you know, we have three foundational businesses, our Health Care segment, our Pharmacy Services segment, and our Retail segment. Combined, they deliver sustainable, profitable growth and deliver significant operating cash flow. Our strong performance in 2022 demonstrates the value that we deliver with our portfolio of assets, our deep healthcare expertise, and our vast consumer touchpoints.

At a glance, you can see that Aetna has over 24 million medical members. Caremark serves over 110 million Pharmacy benefit members, and our Retail business fulfills approximately 1.6 billion scripts annually. As you know, CVS Health is positioned uniquely to support an individual's health and well-being at every stage of their life. We finance consumers' health through our insurance products and provide them access to care through our provider network and as part of our Aetna and our Caremark businesses.

We provide care delivery and health services through our health hubs and virtual care solutions, and we offer

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clinical programs for chronic conditions and medication adherence through our Aetna, Caremark and our Pharmacy businesses. As you can see from this slide, we have the ability to impact the everyday health of millions of Americans.

At CVS Health, our vision starts with everything to do with the consumer. Consumers, as you know, have changed dramatically their expectations around healthcare. And they want healthcare to be delivered with the same convenience, access and digital options that they have in every single aspect of their life. Our goal as a company is to become the leading healthcare solutions company by delivering superior healthcare experiences.

Let me talk a little bit about our consumer reach, which is one of our single biggest differentiators. Across all of our businesses, we touch one and three – one out of three Americans every single year. This translates into serving a 100 million people annually. We have over 46 million unique digital interactions with our consumers, and nearly 5 million people walk into our CVS Pharmacy every single day.

It is our unparalleled proximity to and frequency of interaction with the consumer that is our single greatest advantage that we have in creating engagement. And as you know, engagement is the key to delivering lower costs and better outcomes. Our goal is to both expand and deepen our customer base and our market presence as we advance our strategy.

I want to spend a couple of minutes just talking a little bit about the key areas that make CVS Health unique. We have – and as I just said, we have an unmatched range of consumer touch points more than any other healthcare company. As a company, we are one of the most trusted brands in healthcare in America. Our omni-channel health approach allows us to connect with consumers in more places and on their terms, in the community, in the home, and virtually. And over the last two years, we have consistently demonstrated our ability to innovate quickly and at scale, which is critical as you see the continuing pace of change in the healthcare industry.

At our last Investor Day in December 2021, we discussed the bold shifts we were making as part of our strategy. These strategic initiatives are designed to ensure we achieve both near-term and our long term commitments. First, we will deliver organic growth across our foundational businesses as they continue to be our primary economic engine. Next, we'll advance our care delivery and health service offerings to include primary care, home health and provider enablement. This also includes optimizing our retail business, which means reducing our footprint and transforming select store formats to serve as community health centers.

Next, we continue to prioritize and invest in our omni-channel health, as I just described. We're also prioritizing the pharmacy experience, given the significant opportunity that we have with 80 million pharmacy patients. We're also orienting our business using digital and technology strategy centered around the consumer. And we're optimizing processes in our company that drive value and creating an agile platform to sustain efficiency and lower costs. And finally, we continue to invest in our people.

In 2022, we've made significant progress on executing our strategic imperatives. And I'm going to touch on a couple today. We're advancing our home health strategy by the potential acquisition of Signify Health. We expect this acquisition to close in the first half of this year. And as a result we'll expand our services for our current customers and we'll build on Signify's capabilities by linking them to our existing assets. We're also investing in our technology platform as one component of our health services strategy. We recently announced that we made a minority investment in Carbon Health, a cloud-based urgent and primary care technology platform, and will pilot the carbon operating model in select CVS Health locations. And finally, our digitally-led engagement is a priority as we enhance our ability to deliver seamless and connected experiences.

For many consumers digital is the very first engagement point. And we've seen significant growth in our – our digital interactions with our customers. As you can see, we've made significant progress in 2022 on our strategic imperatives.

I want to turn now to our guidance for 2022. I'll start by saying that we've demonstrated strong performance across our businesses and we've generated very strong cash flow. Yesterday morning, we issued an 8-K where we highlighted that we expect to be at the high end of our full year 2022 adjusted EPS range of $8.55 to $8.65. This performance creates strong momentum as we head into 2023 where we continue to expect adjusted operating EPS in the range of $8.70 to $8.90, which at the midpoint represents high-single-digit growth off our 2022 baseline of $8.20.

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We'll discuss our full year 2022 results and we'll be issuing our detailed 2023 guidance at our earnings call in early February. Until then, let me just spend a little bit of time looking at our headwinds and our tailwinds. In our Health Care Benefits business, which, as you know, is diversified across our Medicare, Medicaid and commercial businesses, this business is positioned to generate sustainable mid to high-single-digit adjusted operating income growth. As you know, Medicare is a strategic growth area for us in 2023 and beyond. For the full year 2023, we currently expect our Medicare Advantage enrollment to be in the low to mid-single-digit percentage range. This result was due to a highly competitive open enrollment period, but we had strong sales in our D-SNP plans as well as in our Group Medicare, and we continue to project Medicare Advantage growth for the remainder of the year.

Regarding our stars ratings, as discussed last quarter, our national PPO contract fell to 3.5 stars after nearly a decade long track record of performing at 4 stars or better. We have a strong history of delivering affordable, high quality plan benefits and a commitment to continuous improvement. We have the right actions in place to restore our star ratings by improving our CAPS (00:11:15) scores, which were the primary measure we narrowly missed to hit our 4 star threshold. We also made progress in the last 60 days in advancing our efforts to diversify our national PPO contract and obtain the necessary regulatory approvals to move forward. This will enable us to more effectively manage our Medicare business in the future. In our commercial business, our growth trajectory is driven by our integrated benefit designs and we do expect to grow commercial membership in 2023.

Turning to ACA individual exchanges, we expanded our footprint in 2023 and now have presence in 12 states with a total market eligibility of 5.5 million lives. The individual marketplace had another year of disruption, driving members to select new plans. We expect to add over 700,000 new members through open enrollment this year, bringing our total exchange membership to 750,000 lives.

Moving to the Pharmacy segment, 2022 was another year of strong growth. We are well positioned to produce mid-single-digit growth and adjusted operating income over the long term driven by our industry-leading capabilities in cost management, service excellence and product innovation. We remain a market leader in specialty pharmacy. Our specialty pharmacy business is expected to generate top line revenue growth of more than 20% in 2022, creating strong momentum that will allow us to continue to unlock the value to our customers and drive results in 2023 and beyond. As you know, biosimilars represent a future growth area as a large pipeline of biosimilars is expected to launch over the next seven years representing $100 billion of drug spend. These products will allow us to further demonstrate our ability to generate savings and deliver better outcomes for our customers and for our members.

Finally in our Retail segment, 2022 was a year of both the front store and pharmacy outperformed. In pharmacy, we continued to generate year-over-year retail pharmacy market share gains since the first quarter of 2020. Beyond the pharmacy, demand for health products and services continues to be elevated in our retail health locations, which play an integral role in supporting consumers' health. We provided health services to more than 5 million patients in our MinuteClinic locations this year and had administered over 78 million COVID vaccines to-date.

As consumers health needs evolve, we continue to expand our health service offerings and capabilities. As I mentioned earlier, our foundational businesses make CVS Health a powerful cash flow generation engine. This is one of the most underappreciated assets of our business. The strength of our cash flow accelerates our ability to achieve our strategic vision and enhance value to our shareholders.

So let me talk a little bit about how we're deploying capital. We've been very clear in the three strategic areas where we plan to deploy capital – home health, provider enablement and primary care. Specific to home health and provider enablement, we are advancing our capabilities as I mentioned earlier, as the potential acquisition of Signify Health, which we expect to close in the first half of this year. Together with Signify, we'll have a strong foundation for developing new products consistent with our payer agnostic approach. We'll continue to work diligently to identify additional assets including primary care capabilities that will complement our foundational businesses and further advance our strategic vision.

As you think about our long-term adjusted EPS growth, there are two components. The first is the value driven by our foundational businesses, primarily from high-single-digit growth in our Health Care segment and mid-single-digit growth in our Pharmacy Services segment and adjusted operating income floor of $6 billion in our Retail segment. In the aggregate, we expect these foundational businesses and cost efficiencies to drive approximately 7% to 8% of long-term adjusted EPS growth as well as strong operating cash flow.

The second component of our long-term growth comes from contributions generated by the assets that we acquire

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as part of our capital deployment strategy. We're able to create synergies to accelerate our foundational businesses and the opportunistic return to value of our shareholders.

CVS delivered strong results in 2022, and we continue to drive to become the nation's leading healthcare company. In 2023, we will deliver strong results from our foundational businesses as we focus on operational excellence and execution. We will continue to make excellent progress on our strategy, and we're so excited about the potential ahead for our business.

Thank you.

QUESTION AND ANSWER SECTION

Analyst: Lisa C. Gill

Question – Lisa C. Gill: All right. Great. Thank you so much, Karen. And thank you for all the detail. I think one of the themes that you and I have been talking about the last few years is value-based care, something that I think everyone in this room appreciates that it's been talked about for 20 years, but I think we're finally having the different tools and technologies come together where we can finally start to see value-based care really make a difference. When I think about CVS, you're incredibly well positioned to capitalize on this broad suite of assets. You have clinical capabilities, ability to have that patient engagement, that face-to-face interaction to really truly improve outcomes. Since we last spoke, can you maybe just talk about where you are on this value-based care initiative? We talked a little bit about Signify Health, but what other assets do you potentially need to be able to really drive that strategy from a CVS perspective?

Answer – Karen S. Lynch: Yeah. So you and I talked a lot about value-based care and clearly we've been evolving value-based care over a number of years. It is important, as the future of health care to really have engagement of providers and payers to really improve sort of health outcomes for consumers. As a company, we've been – and it depends on your definition of value-based care, right. But as a company, we have a significant amount of our contracts through the Aetna plans already in value-based – some form of value-based care. But as we think about the future, we need to kind of swing that pendulum where it's more of kind of risk-adjusted, value-based care arrangement and Signify obviously through Caravan is one aspect of that bringing us that ACO provider enablement really developing risk.

If you think about where the market may be headed and Shawn and I talked to you a little bit about this yesterday, the government really is pushing on Medicare fee for service and driving value-based care there. That gives us another opportunity. But our entire strategy is clearly premised on our ability to drive value-based care, particularly in the government segment. And I think that's where you're seeing us really kind of focus our assets and really continue to elevate our contracting relationships in our Aetna business. And also we have the opportunity in our Pharmacy business as well where – we're starting to think about value-based care in different ways. We have a transformed diabetes program that gives us that kind of a foray into value-based care. So we're really excited about the potential opportunities there as well.

Shawn, I don't know if you want to add anything there.

Answer – Shawn M. Guertin: No, I would just go back to something you said at the beginning, Lisa, which I think is important. This idea has been around for a long time and it hasn't gone away. It's a good idea and it is the right idea for the future. But obviously something hasn't been there, right, to make it work. And I think to your point, there is an alignment at this time, I think, of a lot of things. But when you think, we've known for a long time on specific conditions, what needed to happen to actually get better outcomes. It's always been about engaging the patient in that. And when you think about our proximity to the customer geographically, the frequency with which we naturally interact with that customer across multiple dimensions, the convenience that we can then bring to those interactions, I think that's going to be a real winning formula for us to unlock engagement.

Question – Lisa C. Gill: You're just saying what I've been saying for years (00:20:34) convenience, Shawn.

Answer – Shawn M. Guertin: Yes, but I think we are learning. I think it's got very fascinating thing. We're really

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learning that some of the things to do that actually can kind of alter behavior in a positive way. We really use the financial club for a long time to try to effect that, but convenience is really kind of a big unlock, I think, in this area.

Answer – Karen S. Lynch: And engagement because I think that's become critical part and that's what we've been talking a lot about, and you just heard me wax poetically about engagement. So I think that's the key to unlock here.

Question – Lisa C. Gill: Putting a focus more recently on soft factors around things like health determinants, right, and we think about how important that is, can you talk about social determinants of care and how CVS fits into that and really how you can play a role going forward?

Answer – Karen S. Lynch: Yeah, we've had a longstanding commitment to kind of addressing the social determinants of care because we know it's not – health isn't just about the engagement with provider, it's about all the other factors including housing and nutrition. CVS Health, we invest in housing capabilities. We have what we call health zones where we wrap around employment opportunities, access to nutrition. We have a very longstanding commitment to Project Health where we bring vans into communities so that we give people the ability for screenings and then help them find and engage other ways to access care. So it is core to what we do. It is core to improving health in America that we really think about all the other factors of health that if you're not getting the right nutrition, if you don't have the right housing, if you don't have a job, you're not worrying about your health. So we really need to make sure that we're wrapping all of social determinants of care and it's core to what we do and how we think about it. As matter of fact, we just brought in a new health equity officer and she is helping us think about. If you think about how to lower cost in healthcare, you've got to address that. And she is helping us. We're focused on two areas with health equity, women's health – actually, three, women's health, behavioral health and cardiovascular improvement for women.

Question – Lisa C. Gill: You touched a little bit on Signify and the fact that this is helping to expand your value-based care strategy on one side, your home health strategy on the other side. Can you maybe just talk a little bit more about how do we think about Signify? And then the other question we get a lot is that two of the larger customers of Signify or two of your larger competitors, Humana and United. How do you balance that?

Answer – Karen S. Lynch: Yeah, let me start off and Shawn add, but let me address the balance of our two big competitors at our customers. I think as we think about the industry, we're all what – what's the word we used yesterday at the time, we're all kind of working with each other and we're all kind of customers of each other. And I think it's important that we all operate and Signify provides an incredible service and home health risk assessment return to care. Being in the home is where health care – the future of health care. And those customers and I've had conversations with both of them, value that asset in a very big way. And we've committed to them to be payer agnostic. And I think that's just how the industry will evolve over time. The second thing that Signify gives us is that Caravan asset with ACO enablement critical to value-based care, critical to improving it. But we expect, as I said earlier, to close in the first half of the year and this is the first leg of the stool of our longer term strategy and really driving to value-based care.

Answer – Shawn M. Guertin: Yeah. No. I think that captures the essence of it. It's obviously an accretive deal for us. And I think importantly, even beyond what it does today, it's the platform that it gives us for the future. And when you think about our strategy, I think all good strategy is premised on powerful trends. You talked about value-based care at the beginning as one. I think the desire for care in the home as sort of site of care is one of those trends. And that's not just personal preference. That's what's happening technologically with the ability to treat people in the home for different conditions. So I think that is a really important long-term trend that we'll continue to build on sort of post Signify, but Signify gives us this great platform to step into that space and we have 2.5 million customers they interact with every day in the home, so.

Question – Lisa C. Gill: I think since your Analyst Day in 2021, nearly every quarter, I've asked about primary care and your thoughts on potential acquisitions in primary care, how you think about this strategy in primary care? Can you give us any kind of update today as to your thinking around primary care, how important an asset or an acquisition is? Clinic model versus we've talked a lot about physician enablement, so maybe just talk about the way that you're thinking about the entre into primary care?

Answer – Karen S. Lynch: Yeah, what I would say, I think, we were very committed to that longitudinal relationship with customers. We believe that over the long term, having that primary care wield significant influence over the entire health care continuum. And we believe it's an asset that we want in our portfolio. What we've been very clear about, we want to make sure it's the right asset at the right time. And we continue to evaluate our options. And what

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we've said is this isn't one and done. If we have to expand into other areas to continue to evolve our strategy like in home health, we will.

Answer – Shawn M. Guertin: Yeah. And I think the primary care, I think we've known for a long time, while a small piece directly of overall cost has had an outsized impact on managing overall cost levels, right. And to some extent, it's been the economic models that have been lacking, not sort of the same idea on VBC, but it's key to VBC, right, and in value-based care. Now, to your point, if you – the way we're positioning for that is there could be a known capacity through which we deliver that and get benefit, but there can also be an enabled capacity. And I think we see ourselves for a variety of reasons playing in both spaces, both enabling that transition to value-based care for non-owned clinicians, if you will, and then having our own clinicians where we think that makes sense.

Answer – Karen S. Lynch: And Lisa, I think it's important to understand as we think about primary care with this kind of a continuum, we have our retail health capabilities, which is episodic care. You heard me talk about Carbon today. That's not kind of primary care, but it gives us another kind of avenue for engagement. Then there is kind of the relationship with the employer segment and then there's that relationship with government segment. And that's really when we think about value-based care and kind of this primary care, that's how we're thinking about it and we've been pretty consistent about that.

Question – Lisa C. Gill: You talked about cash flow a year ago. You talked about cash flow again today, extreme amount of cash flow. And you talked that you did an ASR yesterday. So maybe just talk about how you're balancing all of this, right. I think Karen had in her slide to talk about committed to the dividend...

Answer – Shawn M. Guertin: Right.

Question – Lisa C. Gill: ...committed to continuing to invest in the business, right. But that still leaves you a lot of capital to do a lot of different things. Does this ASR preclude you from doing something near term when we think about a potential acquisition or some other kind of investment?

Answer – Shawn M. Guertin: Right. No. And the answer is no, not at all. And that slide that Karen had up there, I would say philosophically, is sort of the steady state slide that would represent our philosophy on an ongoing basis. But in the near term, the most important thing for this company from a capital perspective is to effect the long-term strategy that we're discussing and to begin to change the positioning of the company as it goes from a sustainable earnings growth perspective. And we think care delivery is the big vehicle for that. That becomes – the execution of that long-term strategy becomes the paramount mission for that. So we thought – as we went through that, doing some incremental share repurchase, we certainly thought through making sure this didn't preclude us from executing that strategy. And as you've seen with the numbers, right, that we have plenty of breathing space. So it was something where we thought that we could it was the right thing to do in the short run. But by no means did it compromise in any way what our long term strategic vision is.

Question – Lisa C. Gill: Karen, you touched on the stars for 2024 and the disappointment in some of the plan moving to 3.5 stars. Can you talk about opportunities to maybe mitigate some of that especially since a lot of it is grouped MA as my understanding? And then, what is your anticipation around the impact on the individuals as we go into the 2024 type of open enrollment period?

Answer – Karen S. Lynch: Yeah. So, as I mentioned, we narrowly missed 3.5 – that 4-star – bring us down because of caps. And there's a lot of opportunities for us to drive actions to improve our engagement with consumers and we have a lot of actions underway. We also mentioned that we have an opportunity to do contract diversification. I just said that we've got the necessary regulatory approvals to move forward with that contract diversification. So we feel pretty confident about our ability to mitigate some of that risk going into 2024, which is different. We've done a lot of things in 60 days. So, we're well down that path. Was your individual, you know.

Question – Lisa C. Gill: Just will there be an impact when we think about 2024 open enrollment given where we are on the stars? I mean, again, you talked about the approval that you got for the group, but how do we think about the individual?

Answer – Karen S. Lynch: Yeah. I think we're going to work really hard with our distribution channel, with our benefit designs to mitigate that risk. I think for individuals, they look at stars. And so, we're going to work exceptionally hard at making sure that we have the right distribution, the right marketing capabilities, the right

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outreach and the right benefits. And because it really all does come right down to the benefits and we'll be evaluating, it's hard to believe it's right around the corner that we'll be evaluating those benefits. And we're going to work really hard to improve that. I also want to mention, although we were disappointed in our Medicare enrollment for 2023, we have grown our DSNP, we're growing our group Medicare, and we do expect to grow for the remainder of the year.

Question – Lisa C. Gill: And I think that you had mentioned to me earlier that you also had good retention, which is also very important for many of you in the room, right. As, Shawn, as we think about the value of that member, having that same member come back the next year is generally better profitability since you better understand that member, is that correct?

Answer – Shawn M. Guertin: Yeah. That's absolutely right. So I – the new members, a lot of times the new members are less profitable than average. So while it's still rather have the members for the long run, that mix of having better retention and sales is actually a positive in the short run on the margin dynamic inside the book. So – and I and I also think when your retention is better than expected, it does speak to the service levels, the value in the product, the value in the benefits and things like that.

Question – Lisa C. Gill: One of the big things that we're looking at right now, right, is RADV that will come on February 1. It was supposed to come in November. Can you just give us your perspective on what you're expecting on February 1? I know, Karen, you've spent some time in D.C., and have some kind of insights there as to what potentially could happen from a managed care perspective.

Answer – Karen S. Lynch: Yeah. What we're hearing is that we do expect that there'll be some type of RADV rule coming out. It's not clear to us if it will be what is the kind of proposed today. So we're hopeful that maybe they'll have – they will make some changes. But as you know, the retroactive – kind of retrospective adjustment we're not supportive, we're not fans of, clearly not using the fee for service adjuster is something that we have very strong concerns about. And then, the extrapolation piece of it is another concern. So when the regs do come out, we'll evaluate it and we'll work with the industry to address whatever needs to be addressed with the RADV rule.

Question – Lisa C. Gill: The other things we've tried or trying to understand around Medicare Advantage is just your expectation, I mean, the rates have been improving nicely in the last few years, especially compared to what they were historically. What is your expectation for rates for 2024, which we'll hear preliminarily, right kind of around the same timeframe?

Answer – Shawn M. Guertin: Yeah. I guess I would in a more general sense, I mean, I remain and I continue to remain very bullish on Medicare Advantage as a program. Having said that, it's obviously such a large budget item. I think it's always going to come under some kind of fiscal consideration from year-to-year. We've been in a period of exceptionally good rates. So it wouldn't entirely surprise me over time to see some of that change. Now, it's a very interesting question vis-à-vis the inflationary environment that we're in right now and how that factors into all of the formulation. So I'd hesitate to make a 2024 prediction, but I do think, over time, it's one of the reasons why I think you really always want to be focused on sort of delivering better outcomes and lower costs in this product so that you are prepared if that eventuality comes to fore then you're better positioned or as best positioned you can be if you can really deliver sort of that lower – the better outcome in the lower cost.

Question – Lisa C. Gill: We didn't spend a lot of time talking about retail today, but CVS has really been on the forefront from a COVID perspective with vaccines. I would anticipate that you probably have seen good volumes because of the triple-threat of RSV, COVID as well as the flu. Can you talk about what trends that you saw? And then on top of that, Karen, just looking historically at flu vaccination and COVID vaccinations that you've seen more recently, anything you can talk about as far as trend goes there on the vaccination side?

Answer – Karen S. Lynch: Yeah. So, on RSV, flu, COVID, we saw spikes coming in December. Obviously, we have the balance, right. You've got the impact to the Health Care segment and you've got the positive on the Retail segment. We saw improvement in cough and cold. And we did see our vaccinations for flu kind of elevate a little bit in the latter half of the year kind of meeting our overall expectations. Our expectation on kind of flu and COVID, as a company, we have been sort of the go-to choice for vaccinations. And our thinking is we'll continue to be that consumer choice for vaccinations and positioning to deliver that. And I think it's another engagement point, right.

Question – Lisa C. Gill: Right.

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Answer – Karen S. Lynch: And it does demonstrate you get the flu shot, you get the COVID shot, you have lower outcomes, you better improved health outcomes. So it's an important part of how we think about that engagement in the community and having that service in those local communities.

Question – Lisa C. Gill: One of the things that you mentioned in your presentation was on the pharmacy services side, the PBM side of the business, and that's biosimilars, the $100 million worth of biosimilars coming in the next seven years. I think for many people that know Caremark now, they were the first specialty pharmacy company in the country. They've done a great job at really converting people to generics and even to early biosimilars. As we think about this next wave, what do you think are the incremental opportunities? Do you think that, for example, like a HUMIRA, do we need to have interchangeability and what's the margin opportunity when we think about those?

Answer – Karen S. Lynch: Yeah. I think I'll have Shawn address sort of the margin opportunity. But I do think when we think about the biosimilars, that gives us a big opportunity. And you said it Caremark has been the leader here and I do – and I think interchangeability will help. We had – we've had experience in that. We've demonstrated our ability. But at the core of what we do, it's to drive the lowest net cost...

Question – Lisa C. Gill: Right.

Answer – Karen S. Lynch: ...for our pharmacy benefit members. And that's how we evaluate, how we put things on the formulary, the contracting that we have with our manufacturers. And that's what our goal is. And we have demonstrated that time and time again. And it is a big opportunity and I think that that's you know, I talk about the future of the pharmacy segment that's going to benefit for us.

Answer – Shawn M. Guertin: Yeah. And I think, you know, this is similar and to your point, we've seen some of the early biosimilars and specialty generics and we've seen this play out. And it's a real win-win proposition in that we get much lower cost ultimately to the consumer for this. And we can actually increase our margins sort of as we go through that. And I think as we think about PSS over the next few years, we think this might be the difference between this being a mid-single digit business to maybe pushing up into the low end of sort of high single digits. But it moves it up in the range because of the multiyear opportunity. And I think that the thing here is I think there's less questions sometimes about whether this is an opportunity, but the timing of it, right, and when some of these things, the timing of which some of these things come to market. And then to your point about the ability to change to the new agents and all of the factors that are involved in that.

Question – Lisa C. Gill: We have about 90 seconds left. And generally, we like to end these sessions with when we sit here from a year from now, what will investors appreciate about CVS that you don't feel they appreciate today?

Answer – Karen S. Lynch: I think there's a couple of things. One is that we have 300,000 colleagues that are committed every single day to improving the lives of Americans. I think the second thing is that the powerful cash flow generation that we have as a company. The third thing I would say is that we'll continue to deliver our performance as a business and continue to execute on our strategy. And I think the power of execution as a company will demonstrate that as we go through the year and beyond.

Okay. We're looking forward to it.

Thank you, everyone.

Thank you.

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