

Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure

2020 ACTUAL RESULTS

CVS Health Corporation (the “Company”) uses non-GAAP financial measures to analyze underlying business performance and trends. The Company believes that providing these non-GAAP financial measures enhances the Company’s and investors’ ability to compare the Company’s past financial performance with its current performance. These non-GAAP financial measures are provided as supplemental information to the financial measures the Company discloses that are calculated and presented in accordance with GAAP. Non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP. The Company’s definitions of its non-GAAP financial measures may not be comparable to similarly titled measurements reported by other companies.

Non-GAAP financial measures such as adjusted operating income, adjusted earnings per share (EPS), baseline adjusted earnings per share (Baseline Adjusted EPS), adjusted income attributable to CVS Health, adjusted revenues, adjusted medical benefit ratio (MBR), adjusted operating expenses and adjusted effective income tax rate exclude from the relevant GAAP metrics, as applicable: amortization of intangible assets and other items, if any, that neither relate to the ordinary course of the Company’s business nor reflect the Company’s underlying business performance.

ADJUSTED REVENUES

The following are reconciliations of revenues to adjusted revenues:

CONSOLIDATED

	(Unaudited) Quarter Ended December 31,		(Unaudited) Year Ended December 31,	
<i>In millions</i>	2020	2019	2020	2019
Revenues (GAAP measure)	\$ 69,554	\$ 66,889	\$ 268,706	\$ 256,776
Non-GAAP adjustments:				
Receipt of fully reserved ACA risk corridor receivable ⁽¹⁾	(311)	-	(311)	-
Adjusted revenues	\$ 69,243	\$ 66,889	\$ 268,395	\$ 256,776

- (1) During the three months and year ended December 31, 2020, the Company received \$313 million owed to it under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the “ACA”) risk corridor program, net of MLR rebates of \$2 million that was previously fully reserved for as payment was uncertain.

HEALTH CARE BENEFITS SEGMENT

	(Unaudited) Quarter Ended December 31,		(Unaudited) Year Ended December 31,	
<i>In millions</i>	2020	2019	2020	2019
Revenues (GAAP measure)	\$ 19,103	\$ 17,150	\$ 75,467	\$ 69,604
Non-GAAP adjustments:				
Receipt of fully reserved ACA risk corridor receivable ⁽¹⁾	(311)	-	(311)	-
Adjusted revenues	\$ 18,792	\$ 17,150	\$ 75,156	\$ 69,604

- (1) During the three months and year ended December 31, 2020, the Company received \$313 million owed to it under the ACA’s risk corridor program, net of MLR rebates of \$2 million that was previously fully reserved for as payment was uncertain.

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ADJUSTED MEDICAL BENEFIT RATIO (“MBR”)

The following are reconciliations of MBR to adjusted MBR:

HEALTH CARE BENEFITS SEGMENT

	(Unaudited) Quarter Ended December 31,		(Unaudited) Year Ended December 31,	
	2020	2019	2020	2019
MBR (GAAP measure)	86.7%	85.7%	80.9%	84.2%
Non-GAAP adjustments:				
Receipt of fully reserved ACA risk corridor receivable ⁽¹⁾	1.6	-	0.4	-
Adjusted MBR	88.3%	85.7%	81.3%	84.2%

- (1) During the three months and year ended December 31, 2020, the Company received \$313 million owed to it under the ACA's risk corridor program, net of MLR rebates of \$2 million that was previously fully reserved for as payment was uncertain.

ADJUSTED OPERATING EXPENSES

The following are reconciliations of operating expenses to adjusted operating expenses:

CONSOLIDATED

	(Unaudited) Quarter Ended December 31,		(Unaudited) Year Ended December 31,	
<i>In millions</i>	2020	2019	2020	2019
Operating expenses (GAAP measure)	\$ 9,433	\$ 8,654	\$ 35,135	\$ 33,541
Non-GAAP adjustments:				
Amortization of intangible assets	(590)	(614)	(2,341)	(2,436)
Acquisition-related integration costs ⁽¹⁾	(136)	(115)	(332)	(480)
Gain (loss) on divestiture of subsidiary ⁽²⁾	(2)	-	269	(205)
Premium taxes related to the receipt of fully reserved ACA risk corridor ⁽³⁾	(4)	-	(4)	-
Store rationalization charges ⁽⁴⁾	-	-	-	(231)
Adjusted operating expenses	\$ 8,701	\$ 7,925	\$ 32,727	\$ 30,189

- (1) During the three months and years ended December 31, 2020 and 2019, acquisition-related integration costs relate to the Aetna acquisition. The acquisition-related integration costs are reflected in the Company's condensed consolidated statements of operations in operating expenses within the Corporate/Other segment.
- (2) During the year ended December 31, 2020, the gain on divestiture of subsidiary represents the pre-tax gain on the sale of the Workers' Compensation business, which the Company sold on July 31, 2020 for approximately \$850 million. The gain on divestiture was finalized in the three months ended December 31, 2020 and is reflected as a reduction in operating expenses in the Company's condensed consolidated statements of operations within the Health Care Benefits segment in the year ended December 31, 2020. During the year ended December 31, 2019, the loss on divestiture of subsidiary represents the pre-tax loss on the sale of Onofre, which occurred on July 1, 2019. The loss on divestiture primarily relates to the elimination of the cumulative translation adjustment from accumulated other comprehensive income and is reflected in operating expenses in the Company's condensed consolidated statements of operations within the Retail/LTC segment.
- (3) During the three months and year ended December 31, 2020, the Company recorded an expense of \$4 million related to premium taxes associated with the receipt of the \$313 million owed to the Company under the ACA's risk corridor program during October 2020 that was previously fully reserved for as payment was uncertain.
- (4) During the year ended December 31, 2019, the store rationalization charges relate to the planned closure of 46 underperforming retail pharmacy stores in the second quarter of 2019 and the planned closure of 22 underperforming retail

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pharmacy stores in the first quarter of 2020. The store rationalization charges primarily relate to operating lease right-of-use asset impairment charges and are reflected in the Company's condensed consolidated statements of operations in operating expenses within the Retail/LTC segment.

ADJUSTED EFFECTIVE INCOME TAX RATE

The following are reconciliations of the effective income tax rate to the adjusted effective income tax rate:

CONSOLIDATED

	(Unaudited) Quarter Ended December 31,		(Unaudited) Year Ended December 31,	
	2020	2019	2020	2019
Effective income tax rate (GAAP measure)	19.7%	25.3%	26.3%	26.3%
Impact of non-GAAP adjustments ⁽¹⁾	7.1	0.6	(0.4)	(0.7)
Adjusted effective income tax rate	26.8%	25.9%	25.9%	25.6%

- (1) Removes the corresponding tax benefit or expense related to the items excluded from adjusted income from continuing operations attributable to CVS Health in the Company's fourth quarter 2020 earnings press release that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance: amortization of intangible assets, acquisition-related integration costs, gain/losses on divestitures, income associated with the receipt of fully reserved amounts owed to the Company under the ACA risk corridor program, store rationalization charges and losses on early extinguishment of debt. The nature of each non-GAAP adjustment is evaluated to determine whether a discrete adjustment should be made to the adjusted income tax provision. During the three months ended December 31, 2020, the Company realized certain tax losses that were able to be used to offset a portion of the taxable gain related to the July 2020 sale of the Workers' Compensation business, which reduced total tax expense for the three months and year ended December 31, 2020.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. The information on pages 4 to 10 of this document is forward-looking. By their nature, all forward-looking statements are not guarantees of future performance or results and are subject to risks and uncertainties that are difficult to predict and/or quantify. Actual results may differ materially from those contemplated by the forward-looking statements due to the risks and uncertainties related to the coronavirus disease 2019 ("COVID-19") pandemic, the geographies impacted and the severity and duration of the pandemic, the pandemic's impact on the U.S. and global economies and consumer behavior and health care utilization patterns, and the timing, scope and impact of stimulus legislation and other federal, state and local governmental responses to the pandemic, as well as the risks and uncertainties described in the Company's Securities and Exchange Commission ("SEC") filings, including those set forth in the Risk Factors section and under the heading "Cautionary Statement Concerning Forward-Looking Statements" in the Company's most recently filed Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

You are cautioned not to place undue reliance on the Company's forward-looking statements. The Company's forward-looking statements are and will be based upon management's then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. The Company does not assume any duty to update or revise forward-looking statements, whether as a result of new information, future events, uncertainties or otherwise.

ADJUSTED EARNINGS PER SHARE & BASELINE ADJUSTED EARNINGS PER SHARE

GAAP diluted EPS, Adjusted EPS and Baseline Adjusted EPS, respectively, are calculated by dividing income from continuing operations attributable to CVS Health, adjusted income from continuing operations attributable to CVS Health and baseline adjusted income from continuing operations attributable to CVS Health by the Company's weighted average diluted shares outstanding. The Company defines adjusted income from continuing operations attributable to CVS Health as income from continuing operations attributable to CVS Health (GAAP measure) excluding the impact of amortization of intangible assets and other items, if any, that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance, such as acquisition-related integration costs, gains/losses on divestitures, receipt of amounts owed to the Company under the ACA risk corridor program, losses on early extinguishment of debt, the corresponding tax benefit or expense related to the items excluded from adjusted income from continuing operations attributable to CVS Health, and any other items specifically identified herein. Baseline adjusted income from continuing operations attributable to CVS Health also excludes from income from continuing operations attributable to CVS Health the impact of items that the Company cannot project for future periods such as realized capital gains and losses and changes in prior years' health care costs estimates, the financial results of subsidiaries divested, the projected impact of COVID-19 on operating results and the corresponding tax benefit or expense per share related to the items excluded from baseline Adjusted EPS above. The following are reconciliations of GAAP diluted EPS to Adjusted EPS and Baseline Adjusted EPS:

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	2021P				2020	
	Low		High		Actual	
	Total Company	Per Common Share	Total Company	Per Common Share	Total Company	Per Common Share
<i>In millions, except per share amounts</i>						
Income from continuing operations (GAAP measure)	\$ 8,035		\$ 8,245		\$ 7,201	
Net income attributable to noncontrolling interests (GAAP measure)	(5)		(5)		(13)	
Income from continuing operations attributable to CVS Health (GAAP measure)	8,030	\$ 6.06	8,240	\$ 6.22	7,188	\$ 5.47
<i>Non-GAAP adjustments:</i>						
Amortization of intangible assets	2,300	1.74	2,300	1.74	2,341	1.78
Acquisition-related integration costs ⁽¹⁾	130	0.10	130	0.10	332	0.25
(Gain) on divestiture of subsidiary ⁽²⁾	-	-	-	-	(269)	(0.20)
Receipt of fully reserved ACA risk corridor receivable ⁽³⁾	-	-	-	-	(307)	(0.23)
Loss on early extinguishment of debt ⁽⁴⁾	-	-	-	-	1,440	1.09
Tax impact of non-GAAP adjustments ⁽⁵⁾	(670)	(0.51)	(670)	(0.51)	(877)	(0.67)
Receipt of ACA risk corridor receivable attributable to noncontrolling interest, net of tax ⁽³⁾	-	-	-	-	12	0.01
Adjusted income from continuing operations attributable to CVS Health	\$ 9,790	\$ 7.39	\$ 10,000	\$ 7.55	\$ 9,860	\$ 7.50
Total baseline adjustments ⁽⁶⁾					(694)	(0.53)
Income tax expense related to total baseline adjustments ⁽⁶⁾					180	0.14
Baseline adjusted income from continuing operations attributable to CVS Health ⁽⁶⁾					\$ 9,346	\$ 7.11
Weighted average diluted shares outstanding		1,325		1,325		1,314

- (1) Acquisition-related integration costs relate to the Aetna acquisition.
- (2) In 2020, gain on divestiture of subsidiary represents the pre-tax gain on the sale of the Workers' Compensation business, sold on July 31, 2020 for approximately \$850 million.
- (3) Reflects the receipt of \$313 million owed to the Company under the ACA's risk corridor program during October 2020 that was previously fully reserved for as payment was uncertain. After considering offsetting items such as the ACA's minimum medical loss ratio rebate requirements and premium taxes, the Company recognized pre-tax income of approximately \$307 million within the Health Care Business during the fourth quarter of 2020. The portion of the ACA risk corridor payment attributable to noncontrolling interest was \$12 million related to third party ownership interests in the Company's consolidated operating entities.
- (4) During the year ended December 31, 2020, the loss on early extinguishment of debt relates to the Company's repayment of \$4.5 billion of its outstanding senior notes in December 2020 pursuant to its tender offers for such senior notes and the Company's repayment of \$6.0 billion of its outstanding senior notes in August 2020 pursuant to its tender offer for such senior notes.
- (5) Represents the corresponding tax benefit or expense related to the items excluded from Adjusted EPS above. The nature of each non-GAAP adjustment is evaluated to determine whether a discrete adjustment should be made to the adjusted income tax provision.
- (6) In order to enhance the Company's and investors' ability to set Adjusted EPS growth expectations for future periods, the Company adjusted its 2020 Adjusted EPS to remove the following items when determining baseline Adjusted EPS: (i) the impact of items that it cannot project for future periods such as realized capital gains and losses and changes in prior years' health care costs estimates, (ii) the financial results of subsidiaries divested such as the sale of the Workers' Compensation business, (iii) the estimated impact of COVID-19 on operating results and (iv) the corresponding tax benefit or expense related to the items excluded from baseline Adjusted EPS above. Net realized capital gains and losses arise from various types of transactions, primarily in the course of managing a portfolio of assets that support the payment of insurance liabilities. The Company experiences net realized capital gains or net realized capital losses, however the Company cannot project the amount of such gains or losses. In addition, the Company experiences changes to its prior years' health care cost estimates, however the Company cannot project the amount of such changes in estimates. When determining the income tax impact of the baseline Adjusted EPS adjustments, the nature of the total baseline adjustments were evaluated to determine whether a discrete adjustment should be made to the baseline income tax provision.

Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure

ADJUSTED OPERATING INCOME

The Company defines adjusted operating income as operating income (GAAP measure) excluding the impact of amortization of intangible assets and other items, if any, that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance, such as acquisition-related integration costs, gains/losses on divestitures, receipt of amounts owed to the Company under the ACA risk corridor program and any other items specifically identified herein. The following are reconciliations of projected operating income to projected adjusted operating income:

FULL-YEAR 2021

CONSOLIDATED

<i>In millions</i>	Year Ending December 31,		
	2021P		2020
	Low	High	Actual
Operating income (GAAP measure)	\$ 13,060	\$ 13,310	\$ 13,911
<i>Non-GAAP adjustments:</i>			
Amortization of intangible assets	2,300	2,300	2,341
Acquisition-related integration costs ⁽¹⁾	130	130	332
Gain on divestiture of subsidiary ⁽²⁾	-	-	(269)
Receipt of fully reserved ACA risk corridor receivable ⁽³⁾	-	-	(307)
Adjusted operating income	\$ 15,490	\$ 15,740	\$ 16,008

(1) Acquisition-related integration costs relate to the Aetna acquisition.

(2) During the year ended December 31, 2020, the gain on divestiture of subsidiary represents the pre-tax gain on the sale of the Workers' Compensation business, which the Company sold on July 31, 2020 for approximately \$850 million. The gain on divestiture is reflected as a reduction in operating expenses in the Company's condensed consolidated statements of operations within the Health Care Benefits segment in the year ended December 31, 2020.

(3) During the year ended December 31, 2020, the Company received \$313 million owed to it under the ACA's risk corridor program that was previously fully reserved for as payment was uncertain. After considering offsetting items such as the ACA's minimum medical loss ratio ("MLR") rebate requirements and premium taxes, the Company recognized pre-tax income of \$307 million in the Company's condensed consolidated statements of operations within the Health Care Benefits segment.

PHARMACY SERVICES SEGMENT

<i>In millions</i>	Year Ending December 31,		
	2021P		2020
	Low	High	Actual
Operating income (GAAP Measure)	\$ 5,800	\$ 5,900	\$ 5,454
<i>Non-GAAP adjustment:</i>			
Amortization of intangible assets	200	200	234
Adjusted operating income	\$ 6,000	\$ 6,100	\$ 5,688

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RETAIL/LTC SEGMENT

<i>In millions</i>	Year Ending December 31,		
	2021P		2020
	Low	High	Actual
Operating income (GAAP Measure)	\$ 6,050	\$ 6,150	\$ 5,640
Non-GAAP adjustments:			
Amortization of intangible assets	550	550	506
Adjusted operating income	\$ 6,600	\$ 6,700	\$ 6,146

HEALTH CARE BENEFITS SEGMENT

<i>In millions</i>	Year Ending December 31,		
	2021P		2020
	Low	High	Actual
Operating income (GAAP Measure)	\$ 3,550	\$ 3,650	\$ 5,166
Non-GAAP adjustment:			
Amortization of intangible assets	1,550	1,550	1,598
Gain on divestiture of subsidiary ⁽¹⁾	-	-	(269)
Receipt of fully reserved ACA risk corridor receivable ⁽²⁾	-	-	(307)
Adjusted operating income	\$ 5,100	\$ 5,200	\$ 6,188

- (1) During the year ended December 31, 2020, the gain on divestiture of subsidiary represents the pre-tax gain on the sale of the Workers' Compensation business, which the Company sold on July 31, 2020 for approximately \$850 million. The gain on divestiture is reflected as a reduction in operating expenses in the Company's condensed consolidated statements of operations within the Health Care Benefits segment in the year ended December 31, 2020.
- (2) During the year ended December 31, 2020, the Company received \$313 million owed to it under the ACA's risk corridor program that was previously fully reserved for as payment was uncertain. After considering offsetting items such as the ACA's minimum medical loss ratio ("MLR") rebate requirements and premium taxes, the Company recognized pre-tax income of \$307 million in the Company's condensed consolidated statements of operations within the Health Care Benefits segment.

ADJUSTED EFFECTIVE INCOME TAX RATE

The following are reconciliations of projected effective income tax rate to projected adjusted effective income tax rate:

CONSOLIDATED

	Year Ending December 31,	
	2021	2020
	Projected	Actual
Effective income tax rate (GAAP measure)	~24.5%	26.3%
Impact of non-GAAP adjustments ⁽¹⁾	0.5	(0.4)
Adjusted effective income tax rate	~25.0%	25.9%

- (1) Removes the corresponding tax benefit or expense related to the items excluded from adjusted income from continuing operations attributable to CVS Health for the year ended December 31, 2020 and projected adjusted income from continuing operations attributable to CVS Health for the year ended December 31, 2021 in the Company's fourth quarter 2020 earnings press release that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying

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business performance: amortization of intangible assets, acquisition-related integration costs, gain/losses on divestitures, income associated with the receipt of fully reserved amounts owed to the Company under the ACA risk corridor program and losses on early extinguishment of debt. The nature of each non-GAAP adjustment is evaluated to determine whether a discrete adjustment should be made to the adjusted income tax provision.

LEVERAGE RATIO CALCULATION

The Company defines its Leverage Ratio as Adjusted Debt divided by adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA). Adjusted Debt is defined as short-term debt and total long-term debt, including the current portion of long-term debt (GAAP measure), plus the present value of future operating lease payments at a discount rate of 8.5% assuming lease payments occur at the end of the year. Adjusted EBITDA is defined as (i) income from continuing operations (GAAP measure) before interest expense, income taxes, depreciation and amortization, plus (ii) implied interest expense on future operating lease payments at a discount rate of 8.5% assuming lease payments occur at the end of the year, less (iii) other items, if any, that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance such as gains/losses on divestitures, receipt of amounts owed to the Company under the ACA risk corridor program, losses on early extinguishment of debt and any other items specifically identified herein. The Company is not able to project the amount of any such other items for the year ended December 31, 2022 at this time and therefore cannot reconcile projected 2022 Adjusted EBITDA to projected 2022 income from continuing operations. The Company is unable at this time to accurately quantify the significance of any item of unavailable information. The following are reconciliations of total debt to Adjusted Debt and income from continuing operations to Adjusted EBITDA as well as a calculation of estimated Adjusted Debt to Adjusted EBITDA as of December 31, 2020:

Adjusted Debt

in millions

Total borrowings ⁽¹⁾	\$	64,647
Net present value of operating leases ⁽²⁾		16,763
Adjusted Debt	\$	81,410

(1) Represents short-term debt and total long-term debt, including the current portion of long-term debt, as of December 31, 2020.

(2) See information under "Present Value of Operating Leases" below.

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Adjusted EBITDA

in millions

Income from continuing operations	\$	7,201
Taxes		2,569
Interest expense		2,907
Depreciation and amortization		4,441
EBITDA		17,118
Implied interest expense on operating leases ⁽¹⁾		1,429
(Gain) on divestiture of subsidiary ⁽²⁾		(269)
Receipt of fully reserved ACA risk corridor receivable ⁽³⁾		(307)
Loss on early extinguishment of debt ⁽⁴⁾		1,440
Adjusted EBITDA	\$	19,411

(1) See information under "Implied Interest Expense on Operating Leases" below.

(2) In 2020, gain on divestiture of subsidiary represents the pre-tax gain on the sale of the Workers' Compensation business, sold on July 31, 2020 for approximately \$850 million.

(3) Reflects the receipt of \$313 million owed to the Company under the ACA's risk corridor program during October 2020 that was previously fully reserved for as payment was uncertain. After considering offsetting items such as the ACA's minimum medical loss ratio rebate requirements and premium taxes, the Company recognized pre-tax income of approximately \$307 million within the Health Care Business during the fourth quarter of 2020. The portion of the ACA risk corridor payment attributable to noncontrolling interest was \$12 million related to third party ownership interests in the Company's consolidated operating entities.

(4) During the year ended December 31, 2020, the loss on early extinguishment of debt relates to the Company's repayment of \$4.5 billion of its outstanding senior notes in December 2020 pursuant to its tender offers for such senior notes and the Company's repayment of \$6.0 billion of its outstanding senior notes in August 2020 pursuant to its tender offer for such senior notes.

Adjusted Debt to Adjusted EBITDA

in millions (except leverage ratio)

Adjusted Debt	\$	81,410
Adjusted EBITDA	\$	19,411
Adjusted Debt-to-EBITDA		4.19x

Present Value of Operating Leases

A. Summary of the future minimum lease payments under operating leases as of December 31, 2020⁽¹⁾:

<i>in millions</i>	Operating Leases	
	Actual ⁽¹⁾⁽²⁾	Present Value ⁽³⁾
2021	\$ 2,688	\$ 2,477
2022	2,583	2,194
2023	2,496	1,954
2024	2,269	1,637
2025	2,089	1,389
Thereafter ⁽⁴⁾	15,017	7,111
Total future lease payments ⁽⁵⁾	\$ 27,142	\$ 16,763

(1) Source: CVS Health Form 10-K for fiscal year 2020, Notes to Consolidated Financial Statements, Note 6: "Leases".

(2) Future operating lease payments have not been reduced by minimum sublease rentals of \$306 million due in the future under noncancelable subleases.

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- (3) Discount rate = 8.5%. Operating lease payments are assumed to occur at year-end.
- (4) To capitalize these leases, divide the Thereafter operating lease payments by the 2025 operating lease payments to give the approximate number of years left, at the 2025 level, of lease payments. In this case, \$15,017 million/\$2,089 million = approximately seven years. Then, use seven years worth of operating lease payments of \$2,089 million (the 2025 level) to calculate the associated present value.
- (5) The Company leases pharmacy and clinic space from Target Corporation. Amounts related to such finance and operating leases are reflected above. Pharmacy lease amounts due in excess of the remaining estimated economic life of the buildings of approximately \$2.3 billion are not reflected in this table since the estimated economic life of the buildings is shorter than the contractual term of the pharmacy lease arrangement.

B. Summary of the future minimum lease payments under operating leases as of December 31, 2019⁽¹⁾:

<i>in millions</i>	Operating Leases	
	Actual ⁽¹⁾⁽²⁾	Present Value ⁽³⁾
2020	\$ 2,699	\$ 2,488
2021	2,598	2,207
2022	2,444	1,913
2023	2,335	1,685
2024	2,103	1,399
Thereafter ⁽⁴⁾	15,654	7,159
Total future lease payments ⁽⁵⁾	\$ 27,833	\$ 16,850

- (1) Source: CVS Health Form 10-K for fiscal year 2019, Notes to Consolidated Financial Statements, Note 6: "Leases".
- (2) Future operating lease payments have not been reduced by minimum sublease rentals of \$315 million due in the future under noncancelable subleases.
- (3) Discount rate = 8.5%. Operating lease payments are assumed to occur at year-end.
- (4) To capitalize these leases, divide the Thereafter operating lease payments by the 2024 operating lease payments to give the approximate number of years left, at the 2024 level, of lease payments. In this case, \$15,654 million/\$2,103 million = approximately seven years. Then, use seven years worth of operating lease payments of \$2,103 million (the 2024 level) to calculate the associated present value.
- (5) The Company leases pharmacy and clinic space from Target Corporation. Amounts related to such finance and operating leases are reflected above. Pharmacy lease amounts due in excess of the remaining estimated economic life of the buildings of approximately \$2.2 billion are not reflected in this table since the estimated economic life of the buildings is shorter than the contractual term of the pharmacy lease arrangement.

Implied Interest Expense on Operating Leases

<i>in millions</i>	Year Ended December 31,	
	2019	2020
Present value of operating leases ⁽¹⁾	\$ 16,850	\$ 16,763
Average present value of operating leases		16,807
Implied interest expense on operating leases ⁽²⁾		\$ 1,429

- (1) See information under "2020 Present Value of Operating Leases" and "2019 Present Value of Operating Leases" above.
- (2) Interest rate = discount rate = 8.5%.