Leading the Evolution of the Specialty Model

Alan Lotvin, MD

Executive Vice President, CVS Specialty

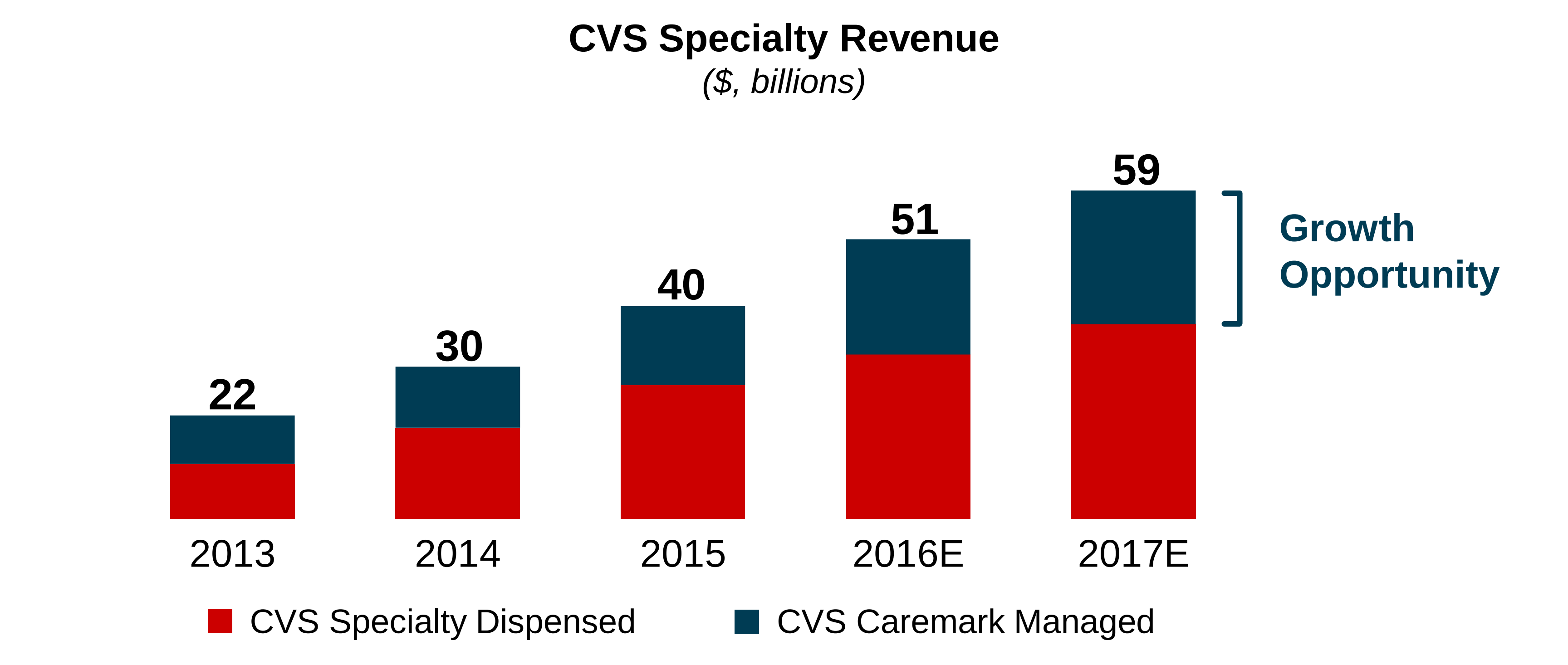
Agenda

Performance Highlights

Integrated PBM + Specialty: Needed Now More Than Ever

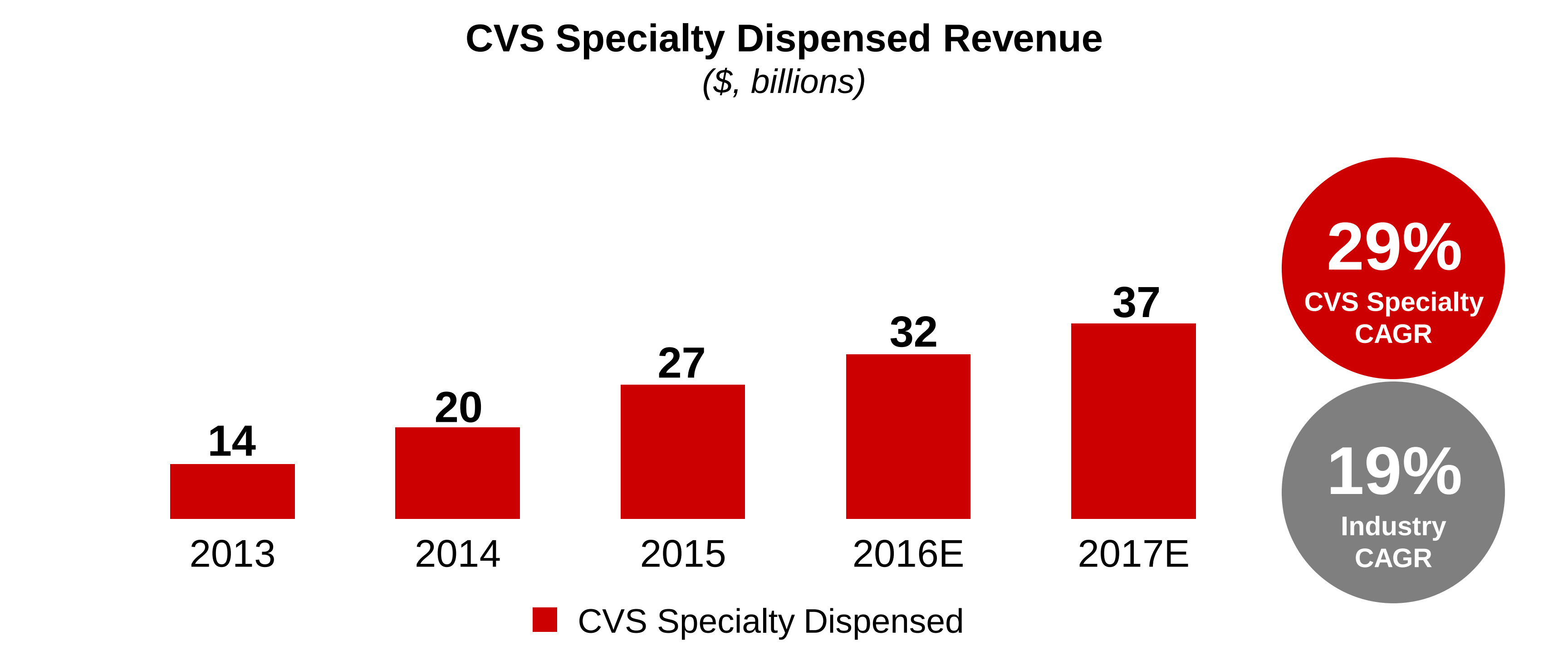
Continuous Innovation to Provide Maximum Value to Stakeholders

CVS Health Continues to Grow in Specialty



Refer to endnotes for additional information.

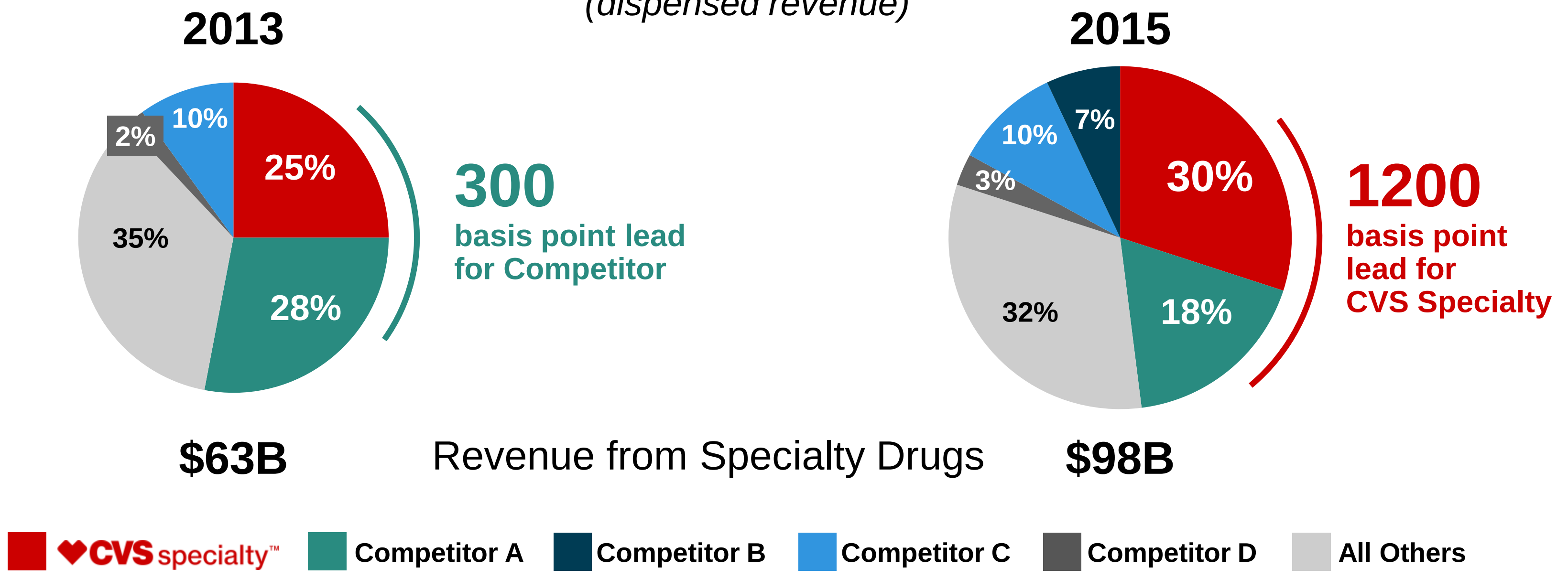
CVS Health Continues to Grow in Specialty



Refer to endnotes for additional information.

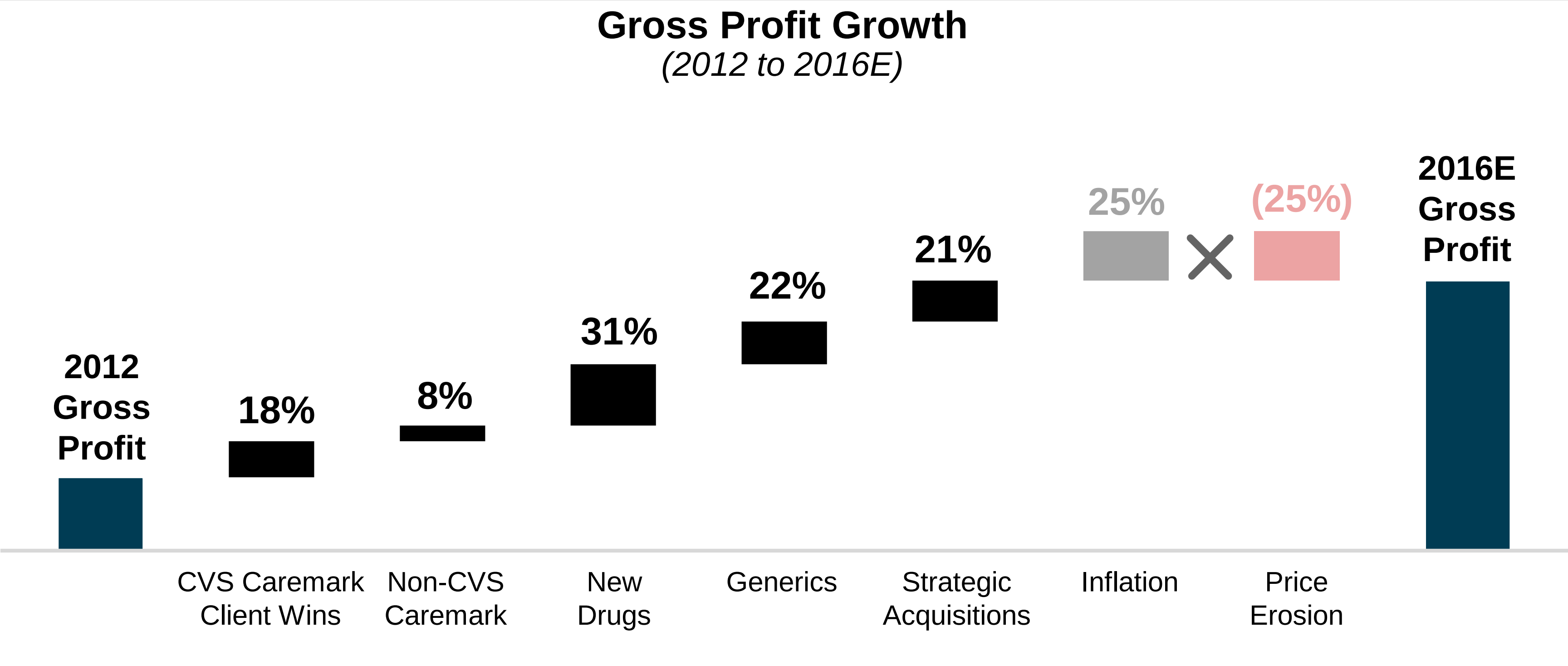
CVS Specialty Growing Faster Than Nearly All Large Competitors

Specialty Pharmacy Share
(dispensed revenue)



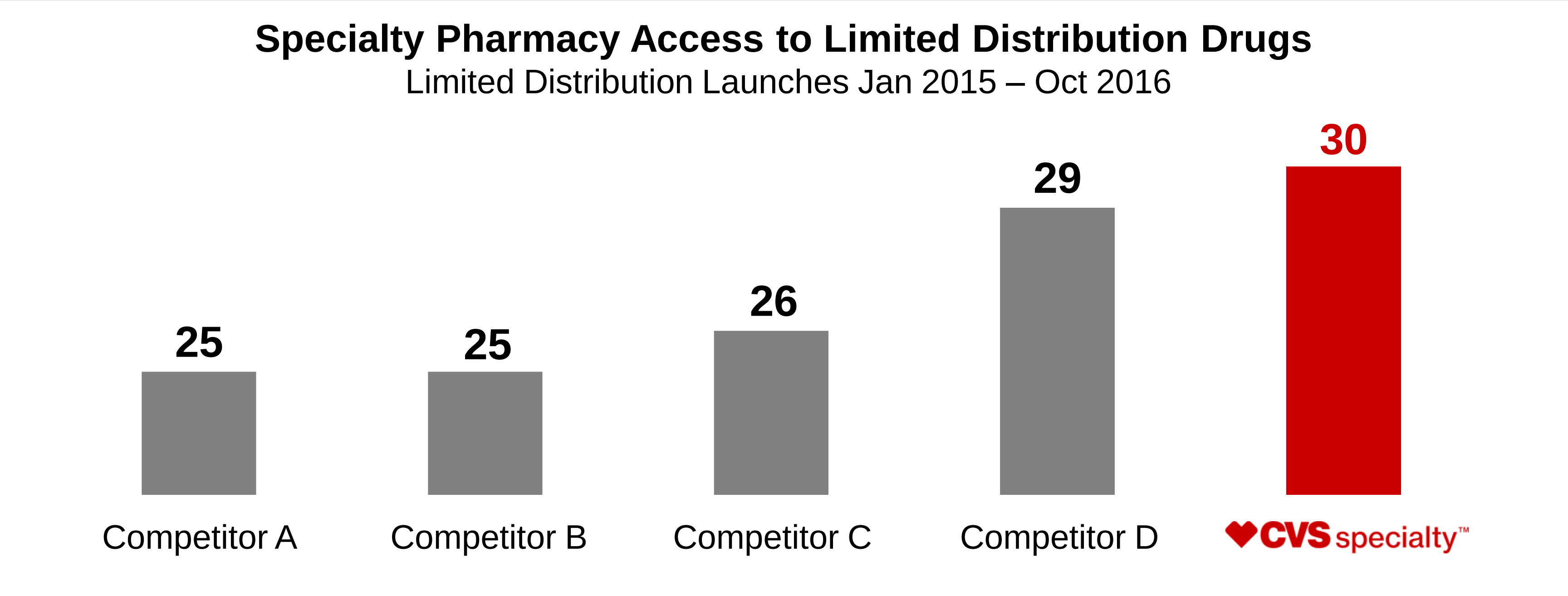
Refer to endnotes for additional information.

Multiple Contributors to Gross Profit Growth



Refer to endnotes for additional information.

Access to New Drugs Is Important Contributor to Performance



Refer to endnotes for additional information.

The Enhanced CVS Specialty Operating Model Will Improve Physician Experience and Patient Outcomes

Physician Service Center

Organized by physician specialty

Faster turn around times and improved referral conversion rates

Centers of Excellence

Organized by patient condition

Specialized patient support

National Dispensing Network

Organized by geography

Reliability and cost savings of ground shipping

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The Complexity of Patients and Market Requires Broad Set of Interventions

Patient Issues	Payor / Market Issues	
Clinical complexity	Spend across pharmacy and medical benefits	Pipeline of new drugs and indications
Multi-drug regimens	Biosimilars	Emerging specialty provider models

Value Our Stakeholders Are Seeking: Simplification

Patients
- Easy access to specialty medications
- Clinical support; drugs and conditions
- Financial assistance counseling

Payors
- Specialty spend management
- Clinical care for patients
- Greater value for spend

Physicians
- Administrative simplicity
- High-touch service
- Visibility into adherence

Manufacturers
- Support adherence
- Data on real world use of products
- Formulary access

Our Integrated Model Enables Us to Meet the Needs of This Increasingly Complex Market

	Patient			Payor		
	Adherence to All Drugs	Full Patient Management	Easy, Local Access	Price and Utilization Management	Medical Benefit Management	Site of Care Management
CVS Health	●	◕	◕	●	●	◕
"Pure Play" Specialty Pharmacy	◕	◔	○	○	○	◔
Retail Pharmacy	◑	◔	◑	○	○	◑
PBM + Specialty	●	◑	○	●	◑	◕
Health Plan + PBM + Specialty	●	●	○	●	◕	◕

Our Integrated Model Enables Us to Meet the Needs of This Increasingly Complex Market

	Patient			Payor		
	Adherence to All Drugs	Full Patient Management	Easy, Local Access	Price and Utilization Management	Medical Benefit Management	Site of Care Management
CVS Health						
PBM + Specialty						
Health Plan + PBM + Specialty						

We've captured ~40% of market growth since 2013

Refer to endnotes for additional information.

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Performance Highlights

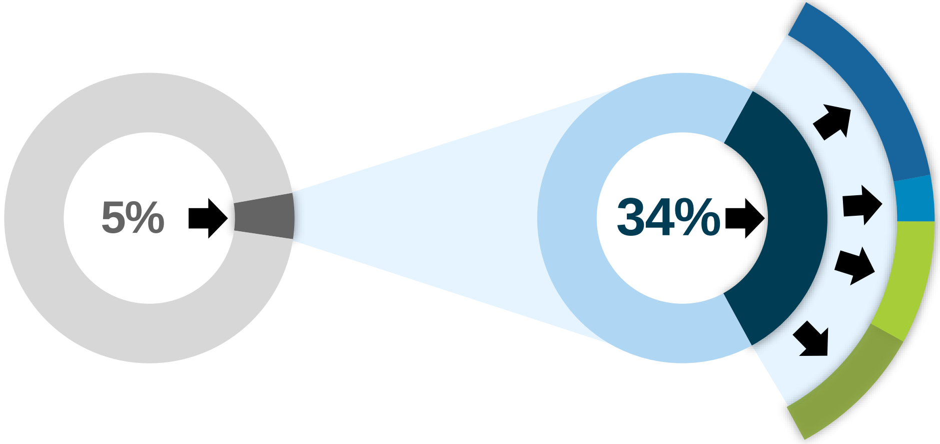
Integrated PBM + Specialty: Needed Now More Than Ever

Continuous Innovation to Provide Maximum Value to Stakeholders

- **Patients: Improving Care and Outcomes**
- Payors: Optimizing Total Spend

Complex Specialty Patients Drive a Large Portion of Health Care Costs

Members Using Specialty Drugs	Specialty Share of Total Health Care Costs	50% Not Related to Specialty Condition



14% All other medical costs

3% All other drugs

8% Specialty condition: other medical costs

9% Specialty drugs

Our model leverages frequency of interactions to deliver broadest range of health improvement messages

Refer to endnotes for additional information.

Our Care Management Model Addresses More Than Adherence; Helps Reduce Overall Health Care Costs

Basic Specialty Model	Support
Pharmacy Technician + Pharmacist	Medication Management

Our Care Management Model Addresses More Than Adherence; Helps Reduce Overall Health Care Costs

Our Enhanced Model	CVS Specialty Support
Pharmacy Technician + Pharmacist + 250+ Specially-Trained Rare Disease Nurses	Medication Management Symptom Management Comorbidity Management Emotional and Social Support Self Care Education Transportation Support

Measurable Results of Our Care Management Model

Our Enhanced Model

Pharmacy Technician

+

Pharmacist

250+ Specially-Trained Rare Disease Nurses

CVS Specialty Proven Results

13x ↑
Greater engagement

7% ↓
Fewer ER visits

23% ↓
Fewer hospitalizations

11% ↓
Reduction in total health care costs for managed conditions

Rapid client adoption: nearly 550 clients (~20% of clients) after two years in market

Our Specialty Connect Model Helps Improve Patient Convenience, Satisfaction and Adherence

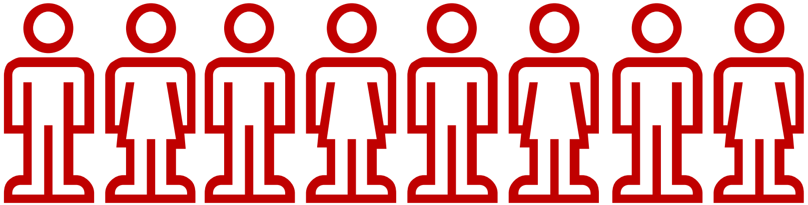
Highly Utilized Retail Channel

Delivery Choice

Clinical Benefit

~30%

new autoimmune patients start at retail



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Our Specialty Connect Model Helps Improve Patient Convenience, Satisfaction and Adherence

Highly Utilized Retail Channel

Delivery Choice

Clinical Benefit

or

54%

Specialty Connect users prefer pick-up at CVS Pharmacy

60

Net Promoter Score

Refer to endnotes for additional information.

Our Specialty Connect Model Helps Improve Patient Convenience, Satisfaction and Adherence

Highly Utilized Retail Channel

Delivery Choice

Clinical Benefit

11.4

percentage point improvement in adherence

Refer to endnotes for additional information.

Key Innovations Can Help Deliver Significant Value

Innovating	Testing	Delivering
Advanced Testing	**Wearable Technology**	**Two-Way Text Messaging**
Specific bio-marker tests inform best treatment course	Monitors activity to identify early signs of disease progression	Promote adherence at key points in care **9% increase** in refills on time

Nearly 60% of specialty patients have opted in to email and text notifications

Refer to endnotes for additional information.

Agenda

Performance Highlights

Integrated PBM + Specialty: Needed Now More Than Ever

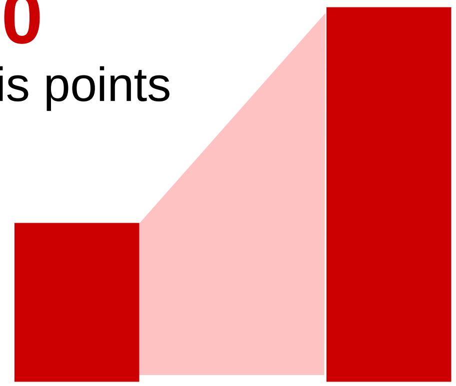
Continuous Innovation to Provide Maximum Value to Stakeholders

- Patients: Improving Care and Outcomes
- **Payors: Optimizing Total Spend**

The Value of the Integrated PBM + Specialty Model

Cost Per Utilizer Per Month

250
basis points



CVS Caremark
+ Exclusive
CVS Specialty

CVS Caremark
+ Multiple Specialty
Pharmacies

CVS Specialty Proven Results

$10M
savings per 1 million lives

60 basis point
improvement in adherence

Refer to endnotes for additional information.

Comprehensive Management: Significant Savings Opportunities to Even the Most Sophisticated Clients

Specialty Formulary	Exclusive Network	Prior Authorization Across Benefits	Medical Claims Management	Site-Of-Care Management
$1M	$7M	$48M	$7M	$1M

$64 million savings per 1 million lives
~11% reduction in specialty drug spend

Refer to endnotes for additional information.

Prior Authorization Provides the Richest, Most Timely Dataset for Specialty Management

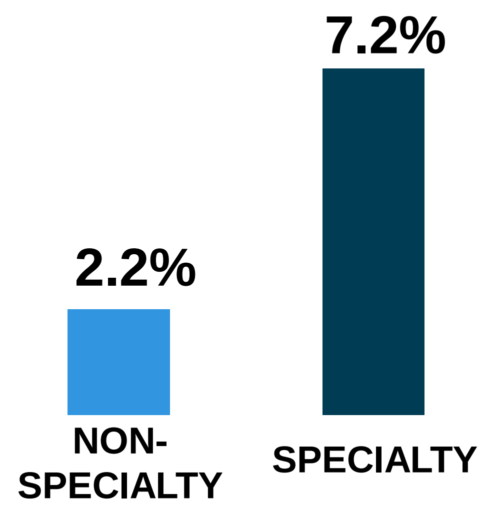
Source	Data Included			
Medical Claim (days to weeks)	Patient Demographics	Diagnosis	Drug Code	Billed Procedure
Pharmacy Claim (near real-time)	Patient Demographics	Diagnosis (Inferred)	Drug Code	

Prior Authorization Provides the Richest, Most Timely Dataset for Specialty Management

Source	Data Included					
Prior Authorization (real-time)	Patient Demographics	Diagnosis	Prescribed Drug	Clinical Exam Data	Laboratory Data	Response to Therapy
Medical Claim (days to weeks)	Patient Demographics	Diagnosis	Drug Code	Billed Procedure		
Pharmacy Claim (near real-time)	Patient Demographics	Diagnosis (Inferred)	Drug Code			

Utilization Is a Key Driver of Specialty Growth, Demanding Continued Innovation

Utilization Trend



Today’s Solutions

- Prior authorization across benefits
- Step therapy and generics first
- Quantity edits

Near-Term Innovations

- Enhanced rule sets
- EHR integration ePA adoption
- New clinical data

Refer to endnotes for additional information.

Inflation and Higher Launch Prices Create Need for Innovative Management Solutions

Cost Drivers

8.7%
brand price inflation 2015

~$170K
average annual price last three approved oral oncology drugs

Formulary

Exclusion formulary

Value-based contracting

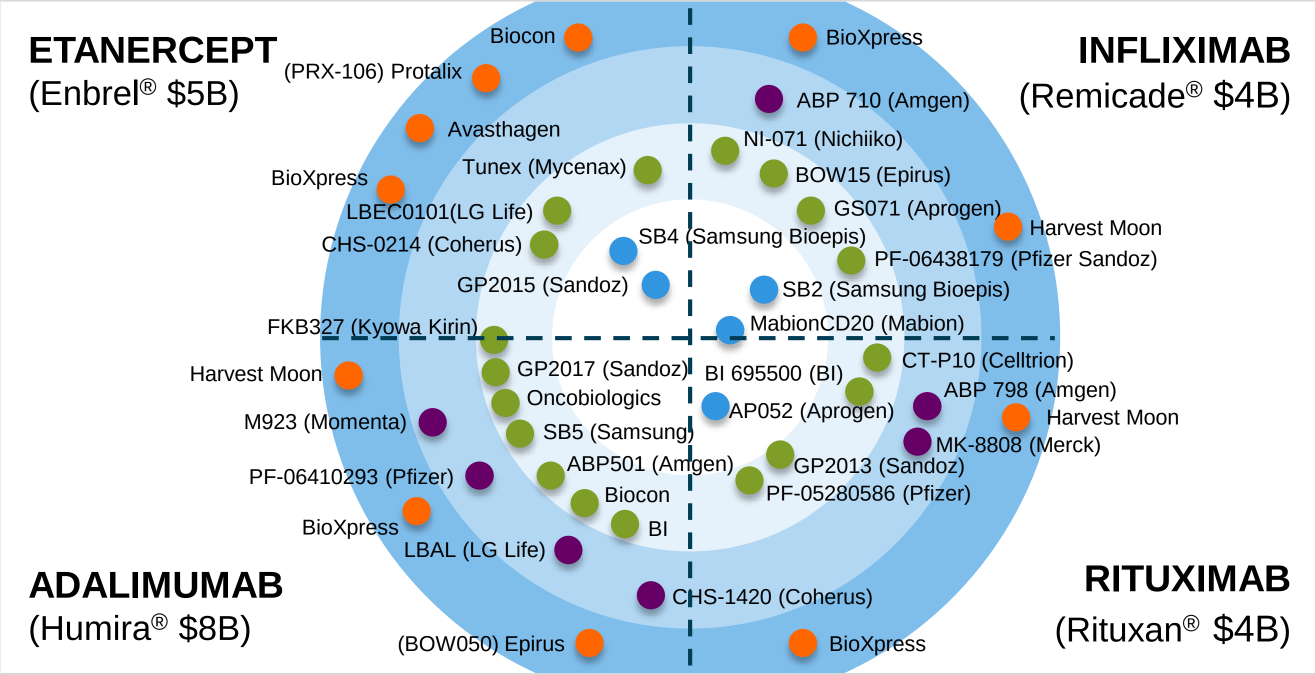
Plan Design

Plan design for generics and biosimilars

Value-based plan design

Refer to endnotes for additional information.

Rich Biosimilar Pipeline Creates Savings Opportunities



Timeline

Filed → Approval
12 months

Late phase → Filed
18-24 months

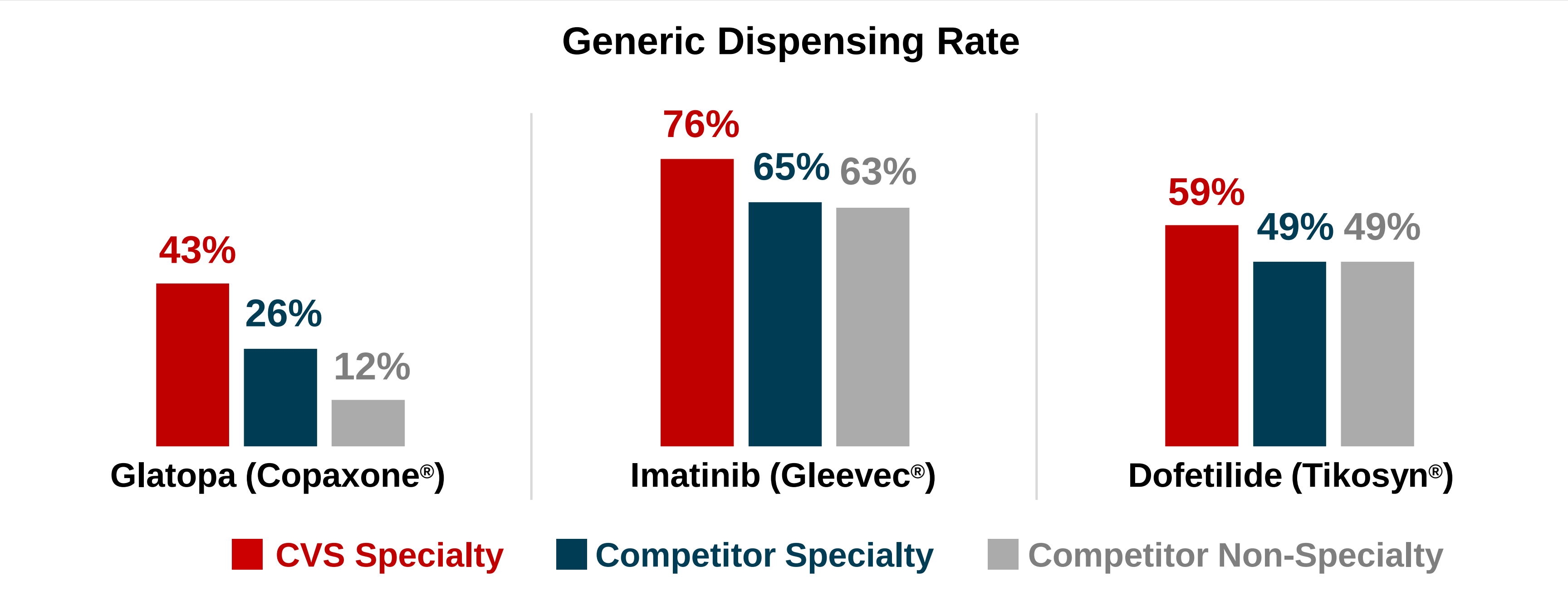
Early phase

Preclinical

Approval → Launch
unknown

Refer to endnotes for additional information.

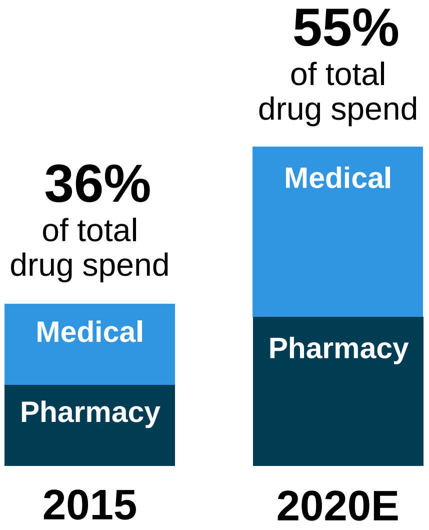
Integrated PBM + Specialty Model Produces Better Results



Refer to endnotes for additional information.

Management of Drugs Paid Under the Medical Benefit Remains a Significant Opportunity

Industry Specialty Spend



Today's Solutions

Prior authorization across benefits

Edit and reprice claims

Near-Term Innovations

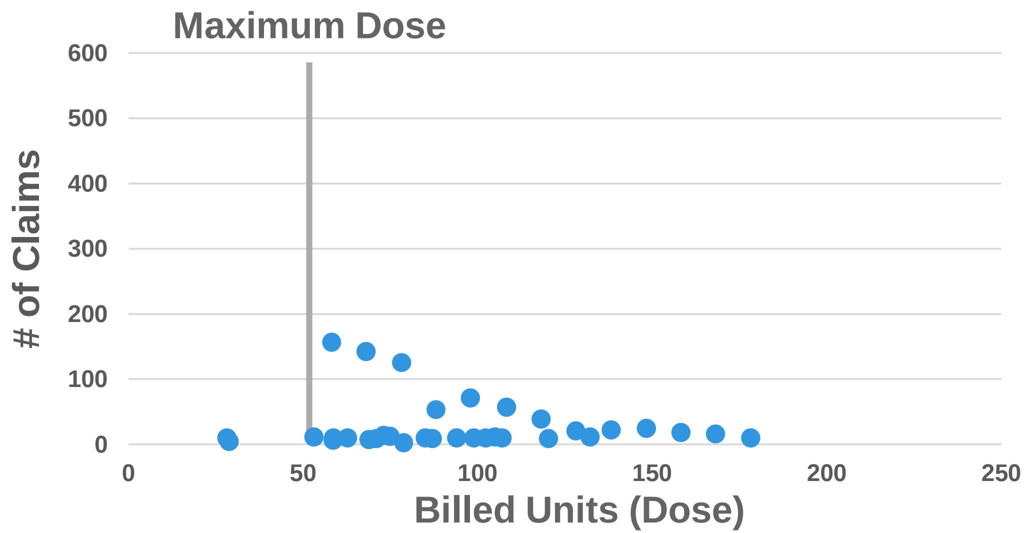
Automated site-of-care

Medical rebates

Refer to endnotes for additional information.

CVS Specialty Medical Claims Management Offers Significant Savings

Remicade Claims for Crohn's Disease as Submitted

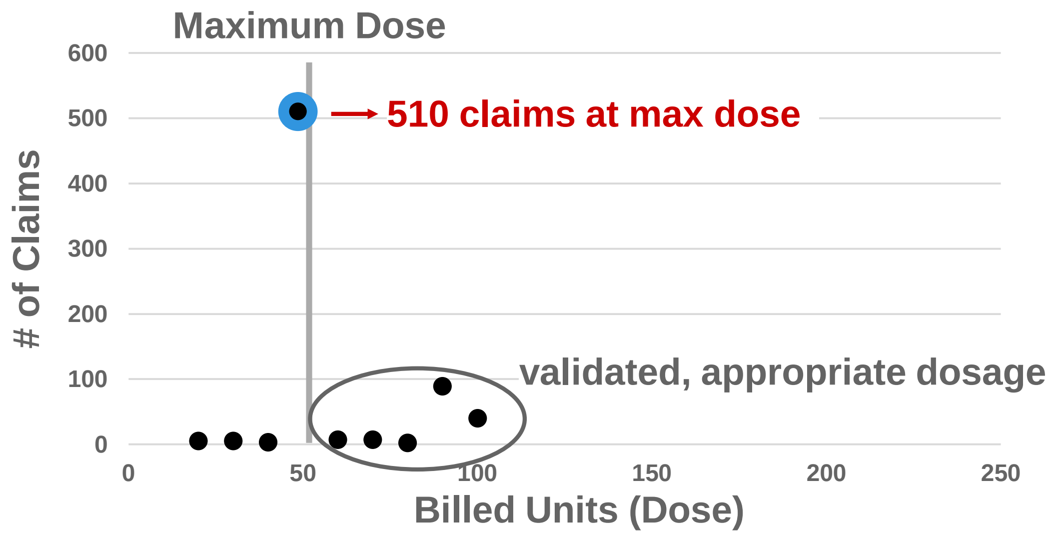


Claims Over Max Dose

99%
before editing

CVS Specialty Medical Claims Management Offers Significant Savings

Remicade Claims as Edited



Claims Over Max Dose

99% before editing → **22%** after editing

Savings

33%
on edited claims

Payor Value Proposition

Broadest set of capabilities to manage specialty spend across benefits

Access to all needed data in near real-time

Proven, in-market operational programs

Today's Key Takeaways

Driving More Affordable, Accessible and Effective Care

Driving Outcomes and Savings	In-market solutions with proven results that are lowering costs and improving outcomes
Providing the Front Door and the Last Mile	Integrated retail/PBM offerings, such as Specialty Connect, provide clinical support, unique flexibility and convenience to patients
Best Partner for PBMs and Health Plans	We're the specialty partner of choice, even when we're not the PBM
Integrated Pharmacy Care	Integrated PBM and specialty provides better results for patients, payors and physicians; addresses increasingly complex market needs
Positioned for L-T Enterprise Growth	Innovation, a balanced growth portfolio, and our enterprise assets will enable CVS Specialty to remain the provider of choice

Leading the Evolution of the Specialty Model

Endnotes

Slide 3

1. 2016E & 2017E values represent the mid-point of CVS Health internal projections.
2. Industry CAGR calculated 2013-2016 via Milliman report http://www.phrma.org/sites/default/files/pdf/milliman-specialty-drug-forecasts.pdf.

Slide 4

1. Source 2013: Fein, Adam J., The 2013-14 Economic report on Retail, Mail, and Specialty Pharmacies, Drug Channels Institute, January 2014, http://www.drugchannels.net/2014/03/2013-pharmacy-market-share-for.html.
2. Source 2015: Fein, Adam J., The 2016 Economic Report on Retail, Mail, and Specialty Pharmacies, Drug Channels Institute, January 2016, https://3.bp.blogspot.com/-bUyVZq-soCo/Vt4NxR7VCPI/AAAAAAAAJrE/HPqPo05Vixw/s1600/Top_10_Specialty_Pharmacies_2015.png.

Slide 5

1. Source: CVS Health internal data analysis.

Slide 6

1. Source: CVS Health internal data analysis of market information which includes all FDA approved limited distribution specialty drugs between January 2015 to October 2016.

Slide 12

1. Source for percent of market: CVS Health internal data analysis using data from National Health Expenditure, Drug Channels, and internal data.

Slide 14

1. Source: CVS Health internal data analysis of 2015 Blue Health Intelligence Commercial Specialty Drug Database.

Endnotes

Slide 17

1. Source Greater Engagement: Judith Mueller Discusses (podcast), www.hpminstitute.org/content/wellness-and-disease-management-podcast-industry-specialist-judy-Mueller.
2. Source of other metrics: CVS Health internal data analysis.
3. Savings will vary based upon a variety of factors including things such as plan design, demographics and programs implemented by the plan.

Slide 18

1. Source: CVS Health internal data analysis.

Slide 19

1. Source Specialty Connect User Preference: Journal of the American Pharmacists Association 56 (2016) 47-53. January 2016, “The Adherence Impact of a Program Offering Specialty Pharmacy Services to Patients Using Retail Pharmacies.”
2. Source Net Promoter Score: CVS Health internal data analysis.

Slide 20

1. Source Adherence Improvement: Journal of the American Pharmacists Association 56 (2016) 47-53. January 2016, “The Adherence Impact of a Program Offering Specialty Pharmacy Services to Patients Using Retail Pharmacies.”

Slide 21

1. Source Increase in Refills: CVS Health internal report, Refill Reminders Value Study, using Specialty digital and PBM data, October, 2014 – July, 2015.
2. Source of Adoption Rate: CVS Health internal data analysis, analysis of SMS and email alert signups. CVS Health uses and shares data as allowed by applicable law, our agreement and our information firewall

Endnotes

Slide 23

1. Source: CVS Health internal data analysis.
2. Savings will vary based upon a variety of factors including things such as plan design, demographics and programs implemented by the plan.

Slide 24

1. Source: CVS Health internal data analysis.
2. Savings will vary based upon a variety of factors including things such as plan design, demographics and programs implemented by the plan.

Slide 26

1. Source: CVS Health internal data analysis .
2. Savings will vary based upon a variety of factors including things such as plan design, demographics and programs implemented by the plan.

Slide 27

1. Source Inflation: CVS Health internal data analysis.
2. Source Annual price: Medispan data.

Slide 28

1. Source Biosimilar Study: QuintilesIMS Institute, March 2016 report, page 14, "Delivering on the Potential of Biosimilar Medicines."
2. Source Brand Sales: Evaluate Ltd. Annual USA Product Sales Summary, 2015; report date: 12/01/16.
3. This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Health.

Endnotes

Slide 29

1. Source: CVS Specialty internal data analysis.
2. This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Health.

Slide 30

1. Source Specialty Spend: CVS Health internal data analysis of National Health Expenditure and Artemetrx reports.
2. Source Total Drug Spend: “Medicines Use and Spending in the U.S.” IMS, April 2016.

Slide 31

1. Source: CVS Health internal data analysis.