

Delivering Value for All Health Care Stakeholders

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President & Chief Executive Officer





Agenda

Our Value Proposition Has Never Been Stronger

We See Compelling Opportunities in a Robust Health Care Market

How We'll Drive Long-Term Enterprise Growth



The Most Extensive Suite of Leading Assets...





Our Integrated Model Drives More Affordable, Accessible and Effective Care

Proprietary Programs

Maintenance Choice
Specialty Connect
Pharmacy Advisor

Appropriate Utilization, Better Outcomes

Higher penetration rates of programs, resulting in better outcomes



Health Engagement Engine

Clinical rules engine with powerful analytical capabilities, providing real-time, actionable information

Full View of Patient

Enabling single patient record and simplicity of single digital platform to manage all prescriptions

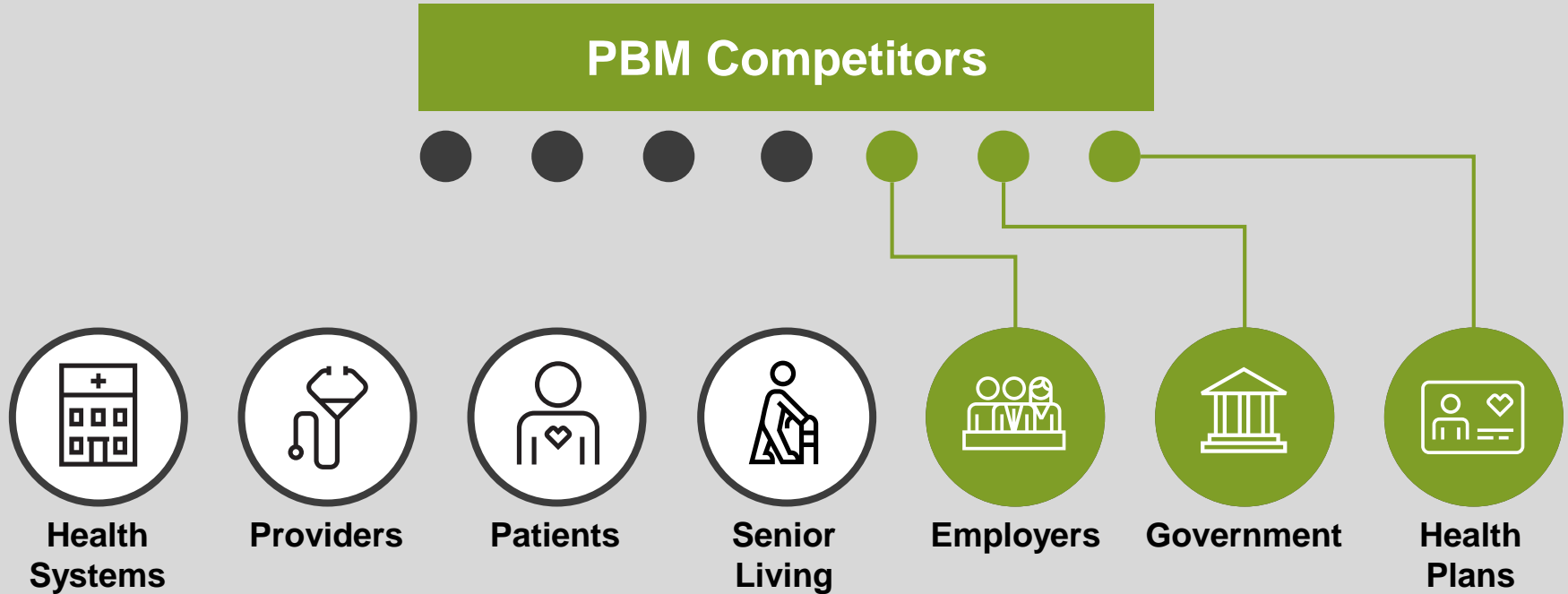


Traditional Competitor Touchpoints Are Limited

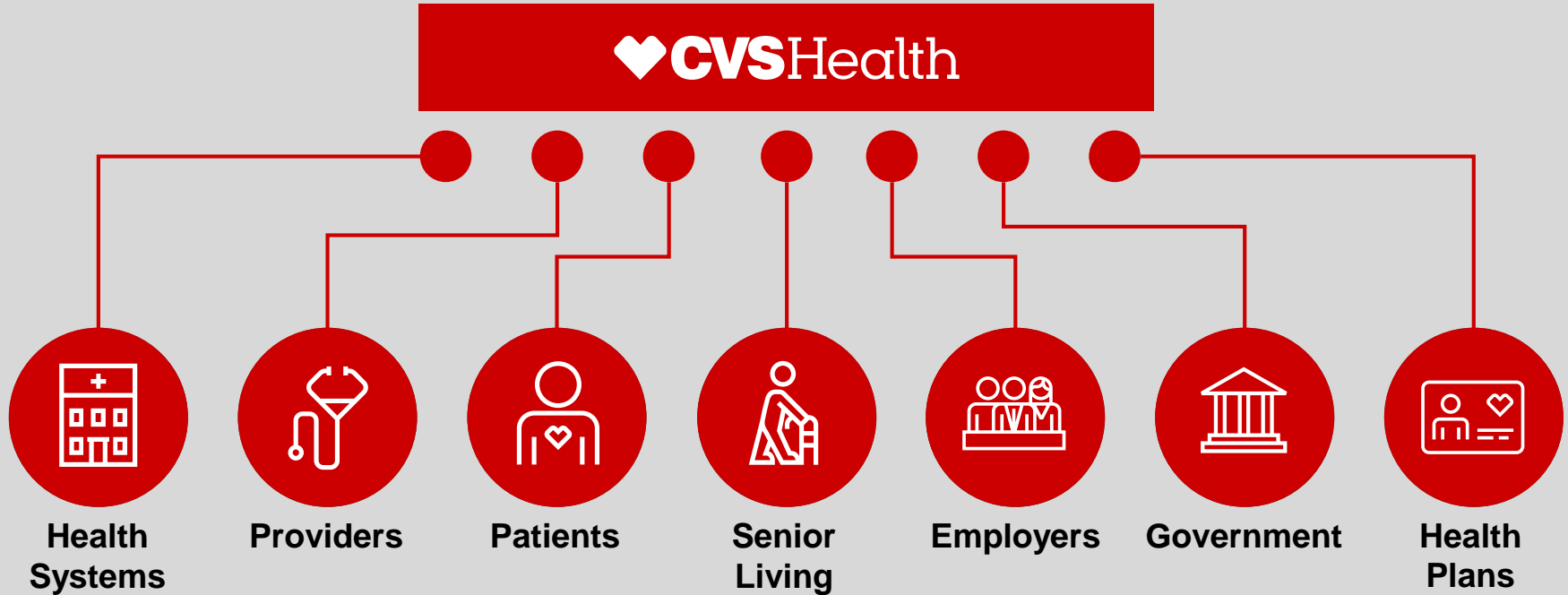




Traditional Competitor Touchpoints Are Limited



Our Suite of Assets Provides Touchpoints Across All Health Care Stakeholders




Our Competitive Advantage:


- ✓ **Premier company** with the ability to impact patients, payors and providers with innovative, channel-agnostic solutions
- ✓ **Deep clinical expertise and insights** enable us to help deliver superior outcomes at a lower cost
- ✓ **Unmatched CVS Pharmacy value proposition** for all payors
- ✓ **Broadest specialty capabilities** to holistically manage patients in growing market
- ✓ **Leading pharmacy provider in long-term care**, enabling broader patient reach across the care continuum
- ✓ **Site-of-care management capabilities** to move patients to more cost-effective sites
- ✓ **Largest retail clinic operator**, providing convenient, cost-effective care
- ✓ **Unparalleled scale** in the U.S. making us a low-cost provider



Continued Selling Season Success ...

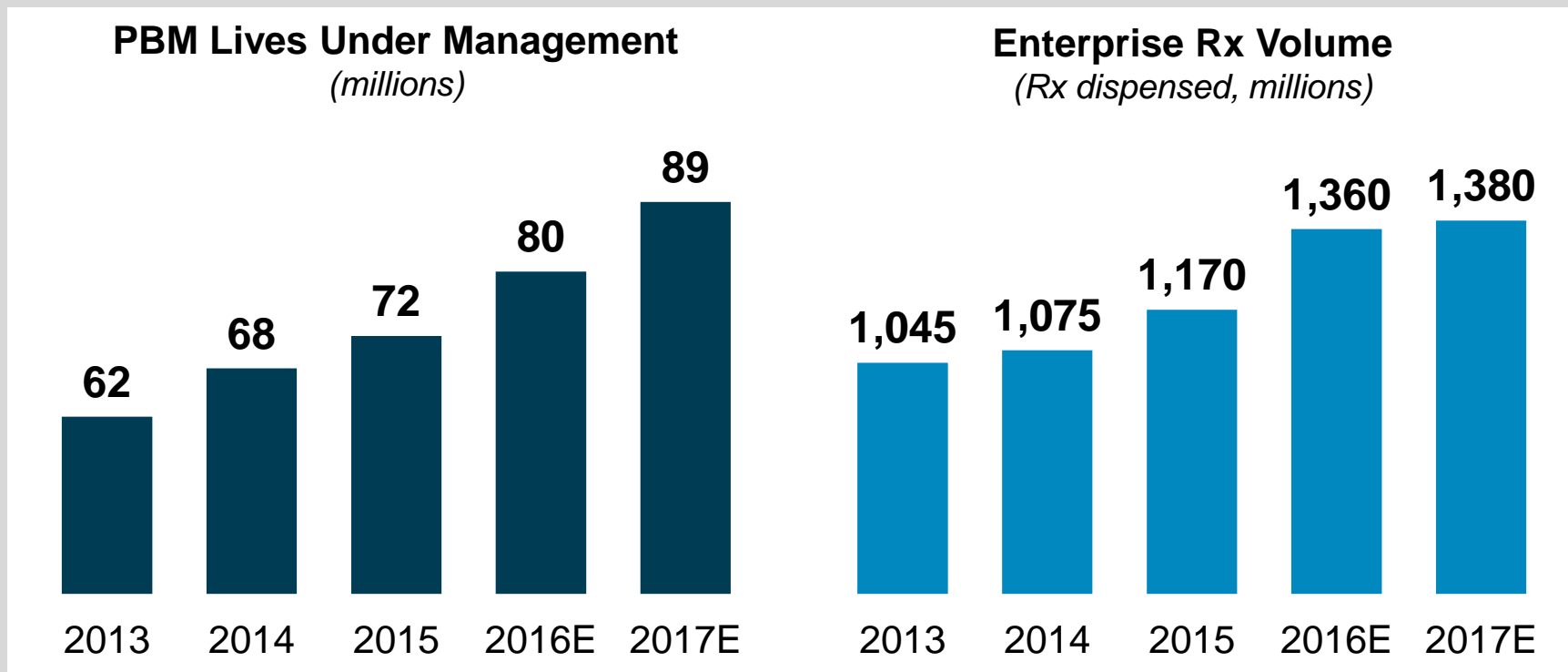


More than **\$40 billion** in gross wins over past five years, with client retention of **96% to 97%**





...Fueling Growth in PBM Lives and Enterprise Volume








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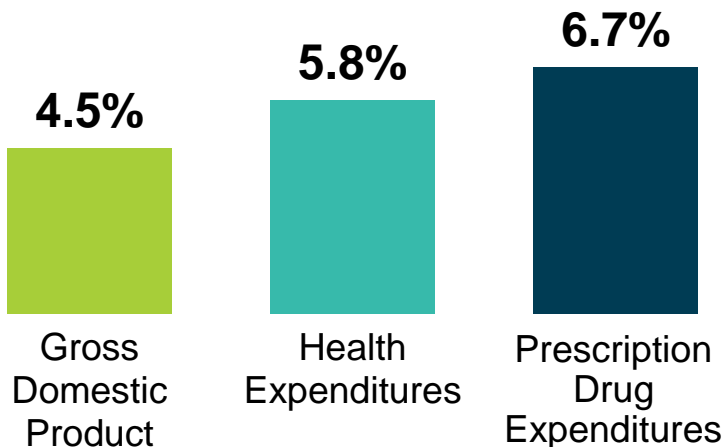
We See Compelling Opportunities in a Robust Health Care Market

1	Focus on Trend Management	
2	Evolving Role of Government in Health Care	
3	Movement to Value-Based Care Slow, But Inevitable	
4	Ongoing Benefits of Size and Scale	
5	Increasing Consumerism / <i>Retailization</i> of Health Care	
6	Growing Role of Digital	



Growth in Health Care and Pharmacy Spend Projected to Outpace GDP Growth

Annual Growth Rate (%, 2015-2025)



Drivers of Trend

- Increased utilization
 - Growing prevalence of chronic disease
- Rising prescription costs
 - Growth in specialty
 - Drug price inflation



Clients Continue to Value PBMs as an Indispensable Solution to Rising Costs

Clients' Top Rated Cost Control Methods





Suite of Capabilities Improving Health Care Affordability

Cost Management Solutions

Utilization
Management



Site-Of-Care
Management



Formulary
Management



Medical Claims
Editing



Network
Strategies



Real-Time
Surveillance



Generic
Programs



Clinical
Programs

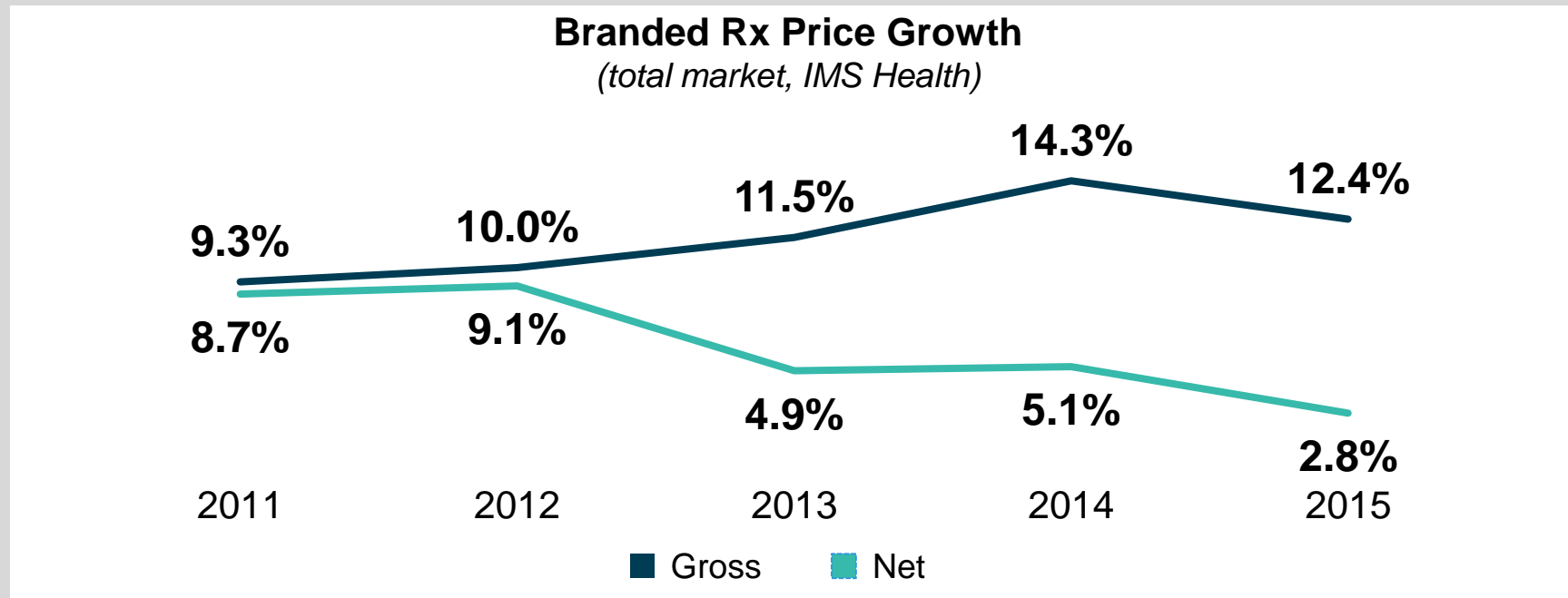


Cost management
solutions have
lowered client
trend to





3.3%



Mitigated Branded Price Increases With Cost Management Solutions

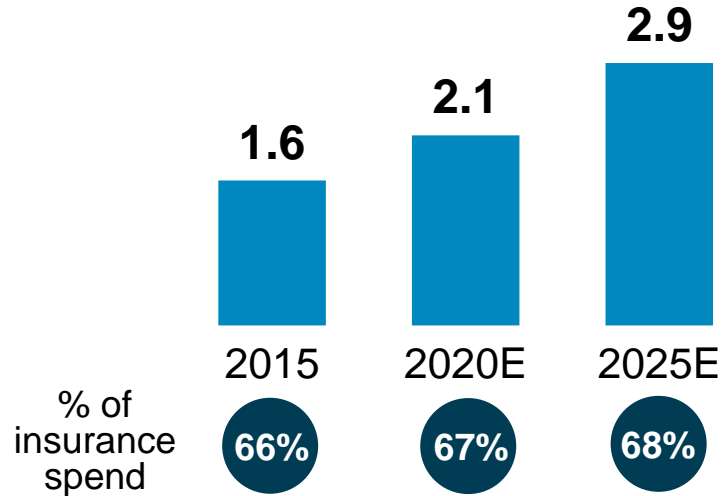


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Government Accounts for Two-Thirds of Health Insurance Spending

Government Health Insurance Spend
(\$, *trillions*)



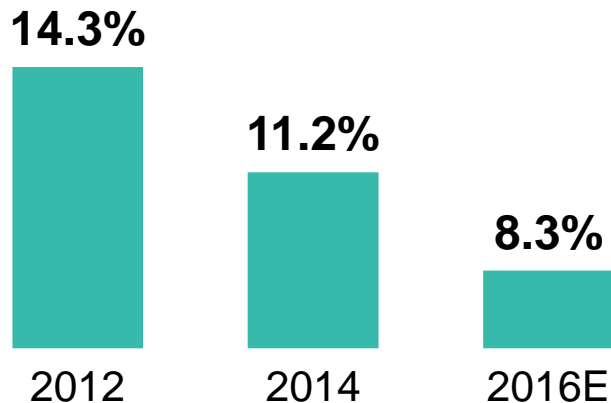
Key Drivers

- Growth in government programs
 - Medicare
 - Medicaid
- These businesses are lower margin, but have higher utilization



Demand for Cost-Effective Care Will Remain Despite Uncertainty Around Health Care Reform

U.S. Uninsured Rate



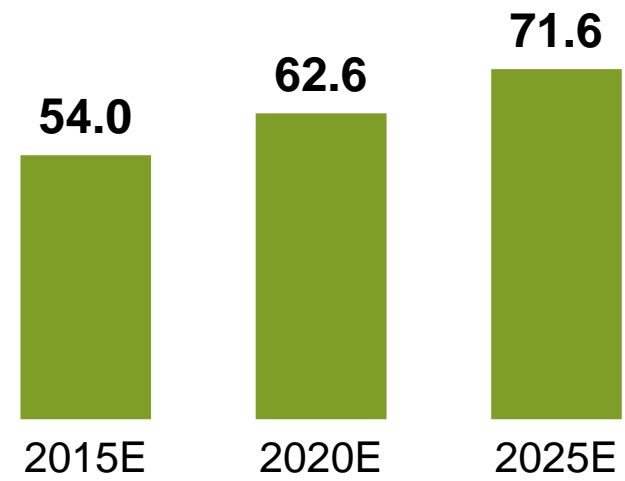
Future Outlook

- Many unknowns around repeal and replace
- Some ACA policies could remain, while others could change
- Need for coverage expected to remain

CVS Health can pivot to address policy changes with the right solutions

CVS Health Well-Positioned to Capitalize on Growth in Medicare


Medicare Enrollment
(lives, millions)



CVS Health Advantages

- CVS Caremark: 12 million total Med D members
 - SilverScript is the largest PDP with 5.6 million members
 - Also support Med D/MAPD offerings of more than 40 health plans
- CVS Pharmacy: Medicare represents 23% of prescriptions dispensed
- Omnicare is a leading pharmacy provider in the long-term care market

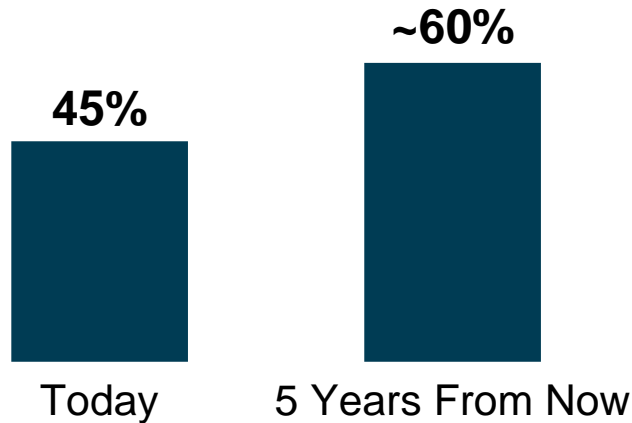
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Movement Towards Value-Based Care Creates Need for New Cost Management Solutions

Provider Reimbursements Tied to Value



Despite the anticipated shift of reimbursement to value-based payments, only **26%** of providers are currently meeting their goals to lower health care costs

Expectation is that value-based care will be key determinant of success



Multitude of Ways We Provide Cost-Effective Care



Pharmacy Care

Unique integrated programs, 90-day programs, formulary designs and value-based contracting



MinuteClinic

Providing health care services, including wellness and chronic care support



Infusion

Home or alternate-site infusion services can dramatically lower costs



Care Transitions

Avoiding costly hospital readmissions by preventing lapses in adherence



Med D Star Ratings

Driving Med D Star ratings through clinical capabilities



Clinical Programs

Powered by Health Engagement Engine and brought to life through face-to-face interactions

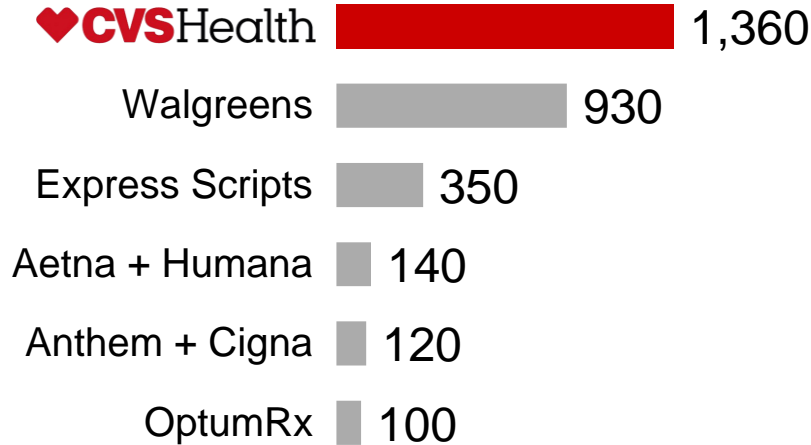
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Unsurpassed Procurement Scale Through Enterprise Dispensing Volume

2016 Estimated Rx Volume (Rx dispensed, millions)



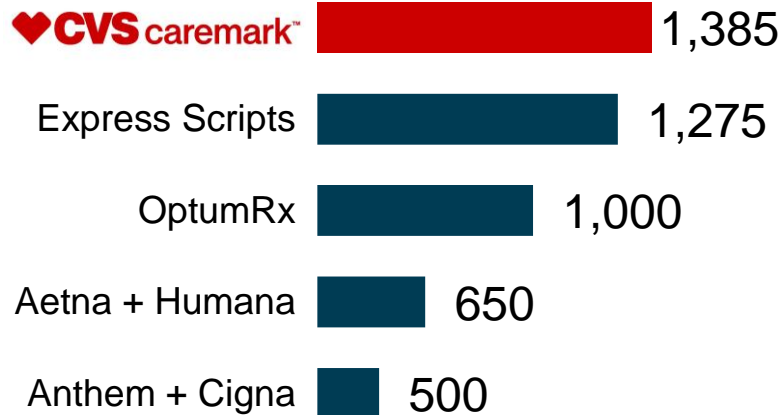
CVS Health Advantages

- Unsurpassed scale and expertise allows us to be an efficient purchaser of pharmaceuticals
- Procurement scale further enhanced by Red Oak Sourcing



Ability to Aggregate Claims Volume Creates Value for Clients

2016 Estimated Claims Volume (Rx managed, millions)



CVS Health Advantages

- Managed claims volume supports negotiations for:
 - Rebates
 - Price protection
 - Formulary placement
- More than 90% of rebates overall are passed back to clients
- Competition in drug classes allows us to utilize scale more effectively

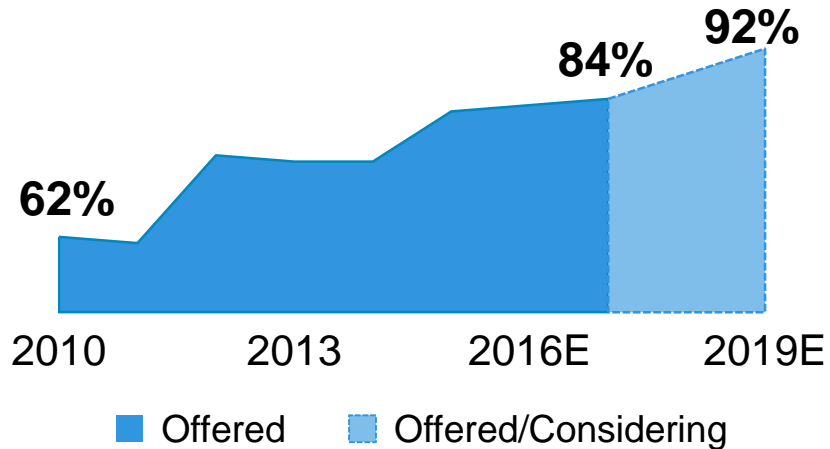
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Consumer-Directed Health Plans Gaining Traction

CDHP Prevalence
(% of large employers)



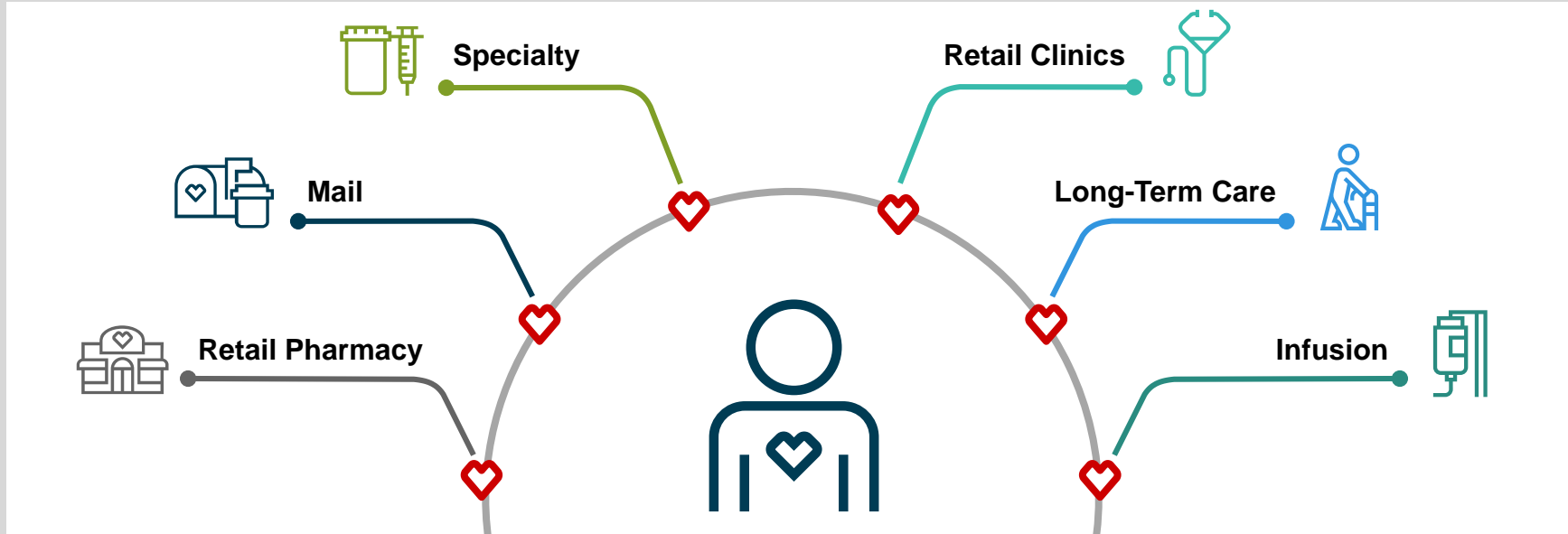
Drivers of Trend

- Employers looking to better control rising health care costs
- Health insurance shoppers on public exchanges choosing CDHPs
- Seek new, trusted health care advisors

As member cost burden increases, mindset shifting from patient to consumer



We Own the Last Mile of Care Through Our Unmatched Patient Touchpoints



No matter the road, we can shape behavior and drive outcomes

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CVS Health Digital Strategy Focused on Three Pillars

Adoption

- Attract new users
- Increase engagement of active digital users

Integrated CVS Health Experience

- Core pharmacy
- Specialty
- Long-term care
- Omnichannel front store
- MinuteClinic

Ongoing Innovation

- Mobile engagement
- Data & personalization
- Digital health

Enhance customer experience, drive loyalty and improve outcomes



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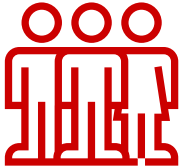
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How We'll Drive Long-Term Enterprise Growth

Our Strategic Business Imperatives

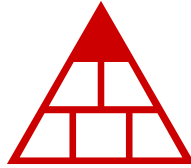
**Aggregate
Lives**



**Grow
Share**



**Execute
With
Excellence**



**Drive
Innovation**



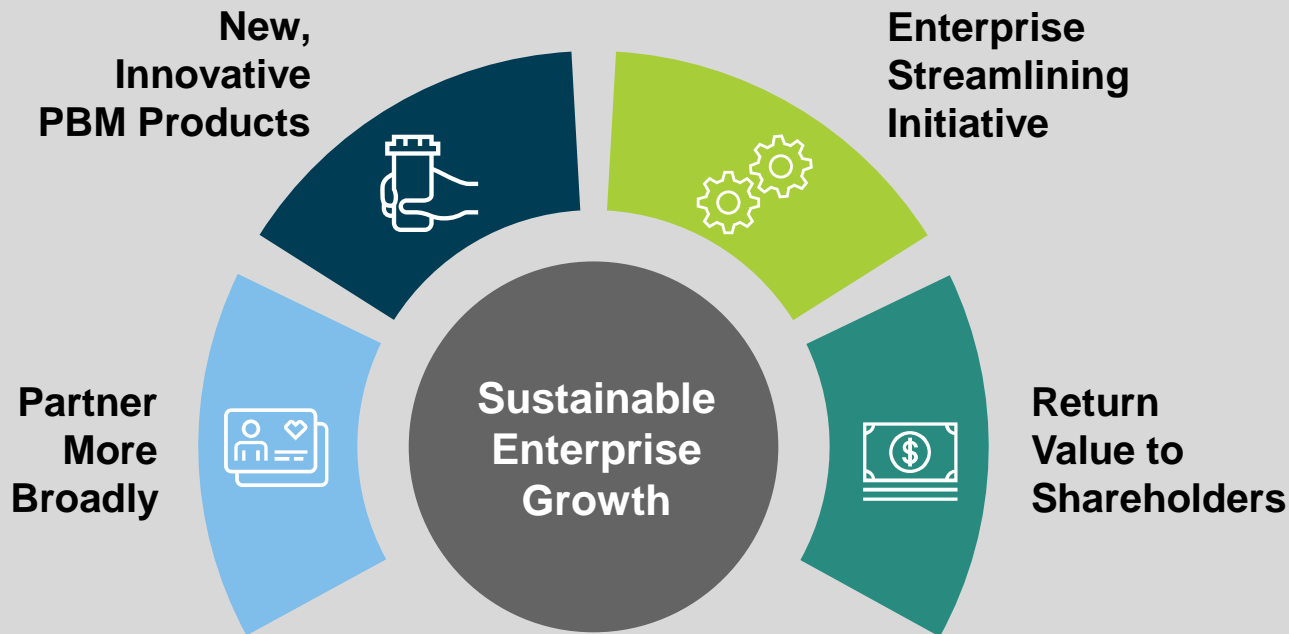
**Enterprise
Focus**



Actions to achieve growth may change, strategic imperatives remain



Actions to Capitalize on Market Dynamics





Actions to Capitalize on Market Dynamics Partner More Broadly



Key Actions

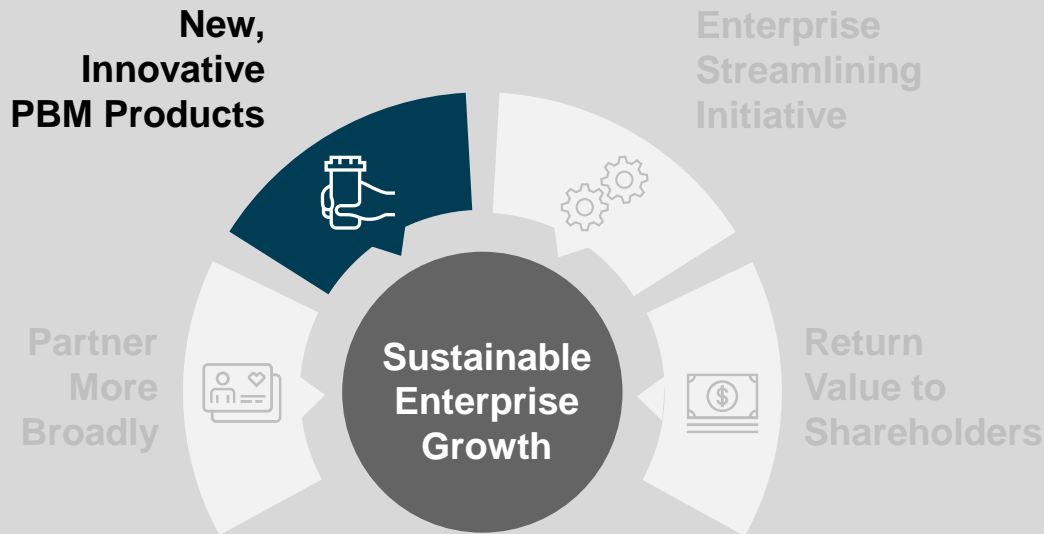
- Utilize full suite of enterprise capabilities to enhance CVS Pharmacy value proposition
 - Bundled service offerings
 - Will make us partner of choice
- Clinical capabilities a competitive edge in value-based care
- New strategic relationship with Optum





Actions to Capitalize on Market Dynamics

New, Innovative PBM Products



Key Actions

- Clinical solutions to support all stages of care
- Value-based contracting approaches
- New retail network strategies, including performance-based networks
- Maintenance Choice 3.0
- Ongoing innovations





Actions to Capitalize on Market Dynamics

Enterprise Streamlining Initiative



Key Actions

- Further improve productivity to solidify low cost provider status
- Three broad areas of focus:
 - Store rationalization
 - Enhance efficiency of corporate shared services
 - Optimize pharmacy delivery platform
- Expect to generate nearly \$3 billion in cumulative savings by 2021





Actions to Capitalize on Market Dynamics

Return Value to Shareholders



Key Actions

- Optimize use of capital to drive shareholder returns
- Continue to evaluate strategic opportunities to drive long-term growth
- Annual dividend increases
- Share repurchases





Today's Key Takeaways

Driving More Affordable, Accessible and Effective Care

Driving Outcomes and Savings

In an era of rising costs, we are the optimal partner to deliver savings and help improve outcomes for health care stakeholders

Providing the Front Door and the Last Mile

Pharmacy has the highest frequency of interaction, and our unmatched patient touchpoints across the enterprise help shape behavior

Best Partner for PBMs and Health Plans

We can partner with all PBMs and health plans, leveraging our enterprise assets and capabilities to meet their individual needs

Integrated Pharmacy Care

Our exclusive programs are seamlessly integrated through our Health Engagement Engine, providing better member experience and results

Positioned for L-T Enterprise Growth

Maximize shareholder value with an enterprise mindset; generate strong cash flow and employ a disciplined approach to capital allocation



Delivering Value for All Health Care Stakeholders



Endnotes

Slide 9

1. As of December 2, 2016.
2. Gross new business revenues exclude Medicare Part D SilverScript individual products.
3. Client retention rate is defined as: 1 less (estimated lost revenues from any known terminations in that selling season year plus annualization of any mid-year terminations, divided by estimated PBM revenues for that selling season year) expressed as a percentage. Both terminations and PBM revenues exclude Medicare Part D SilverScript individual products.

Slide 10

1. Enterprise dispensed Rx include prescriptions filled at CVS Pharmacy, mail order and specialty prescriptions filled at CVS Caremark, and prescriptions filled by our long-term care pharmacies.
2. All dispensed CVS retail and mail prescriptions include the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.
3. Source: CVS Health internal analysis.

Slide 13

1. Source: CMS, National Health Expenditure Projections (figures as of July 14, 2016).

Slide 14

1. Source: National Business Group on Health, 2017 Large Employers' Health Plan Design Survey, Figure 11.



Endnotes

Slide 15

1. Source: CVS Health internal data analysis.
2. Utilization trend based on internal commercial cohort (Health Plans and Employers).
3. Trend is reported net of rebates.

Slide 16

1. Source: IMS Institute for Healthcare Informatics, Medicines Use and Spending in the U.S., Chart 3.

Slide 18

1. Source: McKinsey proprietary research.
2. Includes Medicare, Medicaid, and other federal, state programs (e.g. Children's Health Insurance Program, Department of Veterans Affairs, Department of Defense).

Slide 19

1. Source: CMS, National Health Expenditure Projections, Table 17: Health Insurance Enrollment and Enrollment Growth Rates, Calendar Years, 2009-2025 (figures as of July 14, 2016).

Slide 20

1. Source: CMS, National Health Expenditure Projections, Table 17: Health Insurance Enrollment and Enrollment Growth Rates, Calendar Years, 2009-2025 (figures as of July 14, 2016).
2. Source: CMS (membership figures as of October 7, 2016).

Slide 22

1. Source: McKesson, Journey to Value: The State of Value-Based Reimbursement in 2016, Figure 8.
2. Reimbursements tied to a value-based payment arrangement based on providers who use other models than 100% fee-for-service only.



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Slide 25

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3. Source: CVS Health internal data analysis.

Slide 26

1. Source: CVS Health internal data analysis.
2. CVS Caremark claims represent midpoint of guidance range.
3. Estimated managed claims include all CVS Caremark network claims plus specialty and adjusted mail claims.
4. All managed CVS Caremark mail prescriptions include the adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.

Slide 28

1. Source: National Business Group on Health, 2017 Large Employers' Health Plan Design Survey, Figure 5.