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CVS Health Corp. (CVS)

Q3 2020 Earnings Call
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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to the CVS Health Third Quarter 2020 Earnings Conference Call. At this time all, participants are in a listen-only mode. A question-and-answer session will follow CVS Health's prepared remarks, at which point we will review instructions on how to ask your questions. As a reminder, today's conference is being recorded.

I would now like to turn the call over to Valerie Haertel, Senior Vice President of Investor Relations for CVS Health. Please go ahead.

Valerie C. Haertel
Senior Vice President - Investor Relations, CVS Health Corp.

Thank you, and good morning, everyone. Welcome to the CVS Health third quarter 2020 earnings call. As a reminder, this call is being recorded. I'm Valerie Haertel, Senior Vice President of Investor Relations for CVS Health. I am joined this morning by Larry Merlo, President and CEO; Eva Boratto, Executive Vice President and CFO; and Karen Lynch, Executive Vice President and President of Aetna. Our question-and-answer session will also include Jon Roberts, Executive Vice President and Chief Operating Officer; and Alan Lotvin, Executive Vice President and President of Caremark. We have also posted a slide presentation on our website.

During this call, we will make certain forward-looking statements reflecting our current views including projections and statements related to our future performance. Our forward-looking statements are subject to significant risks and uncertainties. You should review the information regarding these risks and uncertainties, in particular those described in our annual report on Form 10-K and quarterly reports on Form 10-Q filed with the SEC. You should also review the cautionary statement concerning forward-looking statements in our earning press release.

During this call, we will use non-GAAP financial measures. A reconciliation of these non-GAAP measures to the most directly comparable GAAP measures is included in our earnings press release and the reconciliation document posted on our website.

Today's call is being broadcast on our website where it will be archived for one year.

Now I'll turn the call over to Larry.

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.

Thanks, Valerie. And good morning, everyone, and thank you for joining this morning's call.

Before discussing our Q3 results, let me say a few words about this morning's news. After more than 40 years with the company and a decade as CEO, I will be retiring from CVS Health next February, and I'm very pleased to share that we have chosen Karen Lynch to become CVS Health's next President and CEO effective February 1.

As you know, Karen is currently President of Aetna, and she is ideally positioned to lead CVS Health on our ongoing journey to transform health by making it more accessible and affordable while delivering better health outcomes. And I'll work closely with Karen and our Board of Directors to ensure a seamless transition as I remain on the board and serve as strategic advisor through May of next year.
Ten years ago when I took this role, we created a robust strategy to transform ourselves to become a new kind of diversified health services company. We drove tremendous growth in Caremark and grew the business to become the leading PBM in the industry. We re-branded ourselves as CVS Health, and took bold actions such as removing all tobacco products from our stores, reinforcing our renewed purpose. We continued to grow our PBM business while we invested in high growth areas of specialty pharmacy, adding businesses such as Coram and NovoLogix. We enhanced our retail footprint to broaden our local appeal and focus on the Latino marketplace. And we made health care easily accessible through our MinuteClinic locations, rolling out a variety of innovative health care services. We grew not because we wanted a larger number of stores, but because we knew it was essential to be relevant in local communities.

Further, we identified the strategic need to round out our suite of assets with a national health plan business, which led to the industry-disrupting acquisition of Aetna. And this month marks our two-year anniversary as one company, and we are now leveraging our local presence in communities to deliver expanded and integrated services to people wherever they are, whether in our HealthHUB and MinuteClinic locations, in their homes, or in the palm of their hands. And today we have clearly established the foundation of our transformation with significant positive momentum built across the company.

And this is a natural point in time for this leadership transition. Now, Karen has strong health care and leadership experience, a deep understanding of the company and its strategy, and a strong track record of driving both growth and innovation. She's truly customer obsessed and a big thinker not afraid of the disruption that's necessary to drive positive change, and she ensures strong execution of the operational details. Karen has been a key member of our leadership team and a key partner to me on the planning and execution of our transformational activities over the past two years, and the board and I are confident that she is the right person to lead our company forward.

And I know CVS Health will be in very good hands under Karen's stewardship and wanted to give her a moment to say a few words.

Karen S. Lynch
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

Thank you, Larry. I'd like to start by thanking you and the Board of Directors for this opportunity to lead CVS Health. I have tremendous pride in our company and in the 300,000 talented colleagues who work tirelessly every day for millions of Americans.

This is a significant time in our company's history. We're on a mission to reshape health care as we know it today. Our strategy is rooted in meeting consumer expectations as we work to address every meaningful moment of health in a person's life. Our unmatched assets allow us to offer greater convenience and services that are personalized to an individual's unique needs.

The strategy is working. Never before has our purpose been more critical as we continue to lead our national response to the pandemic, helping patients, families, and communities stay safe and well.

I'm truly excited to become President and CEO of CVS Health in February. My focus is on building on the strong foundation and the positive momentum we have across the company to continue to address the human aspects of health. Our business is personal. It's about people. It's about their everyday holistic health. I'm confident that we are well-positioned for continued success and growth in the years to come. I look forward to working with Larry and the executive team throughout this transition to accelerate the value we bring to the marketplace.
Larry, back to you.

Larry J. Merlo  
President, Chief Executive Officer & Director, CVS Health Corp.

Well, thanks, Karen, and congratulations.

I also want to thank all of our CVS Health colleagues past and present, especially our management teams with who I have been privileged to serve. I know you'll have questions for Karen, a few for me, but for now let's get down to the business of our third quarter results.

And our strong Q3 demonstrates the value we're creating through the resilience, strength, and flexibility of our diversified business model and underscore the impact of our transformation and growth strategies. We are accelerating elements of our strategy with innovative health care offerings that address the evolving consumer landscape, providing both personalized and connected care that deliver better health outcomes. Importantly, as we expand our range of offerings, our client and customer satisfaction metrics are at all-time highs.

We continue to serve our local communities as a trusted provider of essential health care services and now as a leader in diagnostic testing during one of the most challenging times in our nation's history. We are working closely with local community organizations as well as federal, state, and local governments to expand COVID-19 testing, especially within traditionally underserved communities. In addition, we are pleased to have been selected to partner with the government in administering COVID vaccines when available for long term care facilities, and our track record with COVID testing along with our experience in vaccinations have demonstrated our ability to rapidly scale services. And we expect to play a significant role in all vaccination administration.

Now, our multichannel health services model delivers care wherever our customers need it, whether in the community, in their home, or in the palm of their hand. And I am very proud of our CVS Health colleagues who have been responding quickly to the critical needs of our customers as the pandemic continues to evolve. And I'd like to thank our nearly 300,000 colleagues on the front lines, behind the scenes, and across our organization who are committed to providing high quality care and service to our customers.

For the third quarter, we delivered adjusted earnings per share of $1.66 with total revenues of $67 billion. That's up 3.5% versus the prior year. A few highlights include our Pharmacy Services segment delivered double digit operating income growth versus prior year, reflecting strength in specialty along with favorable purchasing economics. And our 2021 selling season is wrapping up quite nicely with $3.3 billion of net new business.

In our Health Care Benefits segment, we anticipate another strong Medicare AEP driven by our leading position in zero premium plans, expanded geographic footprint, and continued acceleration of our Duals/DSNP offerings. Additionally, we maintained our strong position in Medicare Advantage, and our 2021 STAR Rating again reflects 83% of members in 4-plus STAR plans. So we're well-positioned for above market growth in 2021 and beyond.

And finally, in our Retail/Long-Term Care segment, we have delivered over 6 million COVID tests across more than 4,000 locations, demonstrating consumer confidence in CVS as a health care destination.

Now, it's also worth noting COVID-19 had an estimated $0.15 to $0.18 adverse impact on EPS in the quarter, largely reflecting the planned investments we have made in customers and members in our Health Care Benefits segment. In light of our performance, we are raising our full year 2020 adjusted earnings per share guidance range to $7.35 to $7.45, and Eva will provide additional details in her remarks.
Our unique combination of assets are accelerating our opportunities for growth, and we are taking existing capabilities and combining them in different ways to create new and enhanced products and services for our customers. And the over 100 million members we serve across our business provides a straightforward path to rapidly scale these offerings.

And a clear example of this is Aetna Connected. It's a first-of-its kind Health Care Benefits product we recently launched in Kansas City. This offering brings together a broad range of CVS Health assets, providing a comprehensive set of health care services with market-leading affordability. Now, we've received positive client reception to this new product with a strong pipeline of interest following the launch. And we're expanding Aetna Connected to Texas, and we expect to continue to roll out this innovative offering to additional markets in 2021.

As we noted last quarter, we launched our next-generation Transform Diabetes Care program designed to improve health outcomes for many Americans living with the condition. Of the 34 million with diabetes nationwide, 1.5 million are Aetna members, over 8 million Caremark members, along with 5.5 million customers who fill diabetes prescriptions at a CVS pharmacy. And our next gen diabetes solution leverages the CVS Health enterprise. It brings together our advanced data analytics with our clinical brick-and-mortar and digital assets to provide a comprehensive solution that is personalized, predictive, and prioritized.

We have built a proprietary analytic data engine to risk stratify our members based on the level of unmet needs of the member along with the best method for outreach, evaluating both clinical acuity and proximity to a CVS pharmacy. And what's exciting and unique about our solution is that we don't just focus on blood glucose testing. We go well beyond to include health screening, medication optimization and adherence, and co-morbidity management, and the early results identified approximately 80% of diabetes members having an open gap at any given time.

So we're pleased that we already have 1 million members that have access to the next gen diabetes program on January 1 along with a very active pipeline.

Now, in addition to these new and innovative insurance products and clinical service offerings, we are successfully selling more enterprise services to existing clients. For example, we are driving pharmacy penetration in Aetna's book, projecting nearly $300 million in incremental revenue in 2021 as a result of increased demand for our integrated medical and pharmacy offering.

In our Government business, we have introduced a reduced and a zero co-pay MinuteClinic benefit that includes our e-clinic virtual care product, and that's for our Medicare Advantage plans in 2021. And our Medicare Part D prescription products also support growth in Medicare Advantage. This year, we are on track to convert over 40,000 PDP members to an MA product, and for 2021, we expect our new low-cost PDP product to be attractive to a broader customer base, creating an opportunity to grow Medicare Advantage membership. So I think that gives you a sense of how we are connecting our existing enterprise assets in creating new products and services.

Let me spend a few minutes on other ways we're transforming health care delivery. As you know, CVS Health has been on the front lines of the fight against COVID-19 from the start, and our work in local communities to help curb the spread of the virus is unwavering. As I mentioned earlier, we have conducted more than 6 million COVID tests representing about 70% of the testing that is done in a retail setting nationwide and have now doubled the number of testing sites across the country to more than 4,000. Return Ready, our comprehensive B2B testing product, is helping our clients get back to the work site or school by offering testing and support services directly to employers and educators. And we have more than 70 clients implemented to date.
Now, both COVID testing and Return Ready have expanded the universe of people utilizing CVS services. Seventy percent of those being tested at a CVS pharmacy and 40% of our Return Ready clients were not previously CVS Health customers. We’re also beginning to coordinate a number of services for consumers, who received a positive diagnosis, such as access to behavioral health and support for the social determinants of health, and these are just a few examples of how we’re working to retain these individuals as long term CVS customers.

Also of note is our Pharmacist Panel program aimed at actively managing chronic disease. In the US, it's estimated that almost two-thirds of adults have at least one chronic condition driving over 80% of annual health care expenditures, and with over 80 million patients filling prescriptions at a CVS pharmacy annually, we are uniquely positioned to help patients better manage their chronic conditions.

Now, we continue to expand Pharmacist Panels with more than 1,000 stores now active, and this is another first-of-its-kind capability aimed at improving the health of those with chronic conditions by reimagining the pharmacist-patient relationship. This capability surfaces individualized clinical insights for our pharmacists through our analytics engine, enabling real-time coaching and counseling to close clinical care gaps. Pharmacist interventions like this are showing promising results, including an 8% lift in adherence, a 4% increase in clinical care gap closure, a 12% reduction in unnecessary ER visits along with an 8% reduction in out-of-network and non-preferred provider utilization. So we’re pleased with these early results and are on track to lower medical costs, improve outcomes, and benefit STAR ratings.

We're also continuing the roll out of HealthHUBs and now operate nearly 450 hubs in 30 states. Not only are we growing the number of HealthHUBs, we're expanding the suite of clinical offerings available to include in-person behavioral health services which will be available beginning in January. Across five states, we are utilizing Medicare Resource Centers inside our HealthHUB locations to support Medicare Advantage enrollment through a payer-agnostic distribution model. Now, the demand has been strong. Consumer response is outpacing early expectations. And in addition to supporting beneficiary enrollment education, it provides yet another opportunity to connect seniors to affordable care through our broader CVS Health capabilities.

We also continue to see increased interest in expanding health care services in our hubs. As an example, year-to-date approximately 16% of MinuteClinic visits are now for chronic services, and that's up nearly twofold over last year. And as these members become more connected to the various services we offer, we expect better health outcomes and lowered medical costs.

Complementing our HealthHUBs and demonstrating our drive to meet consumers where they are, we continue to invest in expanding access to virtual care through our telehealth platforms. There is an intersection between the convenience and efficiency of virtual services with an in-person visit at our physical stores, where patients need more personalized high-touch care and support.

And all of our services are complemented by our digital capabilities. As an example, our specialty digital solutions for patients has grown by a 25% CAGR over the past two years. And since the start of the pandemic, we are seeing over 40% of all specialty orders being placed digitally, and this allows enhanced connectivity to optimally manage patients and drive down costs. Additionally, we have created a fully digital end-to-end experience for COVID testifying and flu vaccinations. Patients can schedule appointments online and complete all of the administrative requirements prior to arriving at our stores.
This approach provides a simpler and seamless consumer experience while reducing administrative time in our stores, and the customer receptivity to these capabilities has been favorable. And we will continue to utilize these same tools in administering the COVID vaccine when available. So I think you can see from these results there is certainly momentum in our business.

And with that, let me turn the call over to Eva.

Eva C. Boratto  
Chief Financial Officer & Executive Vice President, CVS Health Corp.

Thanks, Larry. I want to thank you for your leadership over the last 10 years. It's been a true pleasure to work together. I'd also like to congratulate you, Karen, and I look forward to continuing to work closely with you as we enter our next chapter of growth at CVS Health.

During the third quarter, we made steady progress on our strategic priorities, keeping us on our long term growth trajectory. Our diversified assets are delivering innovative health solutions, as Larry noted, and have also provided enterprise-level resiliency through the challenging market conditions, as evidenced by today's results.

During the quarter, we generated $1.9 billion of cash from operations bringing our year-to-date total to $12.3 billion, and we have paid down $4.75 billion of net debt in the quarter. We remain committed to achieving our low three times leverage target in 2022. We maintained our commitment to delivering solid shareholder returns through our dividend while also investing in our enterprise to support our customers during the pandemic and accelerate future growth.

Our core operations performed above our expectations with the Pharmacy Services segment driving continued momentum. The quarter reflected the benefit of our successful COVID-19 diagnostic testing in Retail/Long Term Care. In addition, we had some lower medical utilization in the Health Care Benefits segment partially offsetting the planned COVID-19 costs in both Health Care Benefits and Retail/Long Term Care during the quarter.

Turning to our operating results by segment, our Health Care Benefits segment total revenues increased 8.8% year-over-year driven primarily by membership growth in our government products and the favorable impact of the reinstatement of the HIF in 2020. Adjusted operating income declined $343 million, largely reflecting the planned COVID-19-related investments benefiting customers and members, costs associated with the actions to right-size our operations, and divestitures of Aetna's PDP and our Workers' Compensation business.

Recall Aetna's PDP was divested in 2018 in connection with the closure of the Aetna acquisition. However, we continued to retain the economics of the contracts for all of 2019, and as is typical with a PDP, the economics are greatest in the back half of the year.

Transitioning to membership, Medicare Advantage grew by 1% sequentially. Growing Medicare Advantage is one of our key strategic priorities. And as Larry mentioned, we are pleased with our position in the market for the 2021 annual enrollment period. Our recently released strong STAR Ratings from CMS demonstrate our commitment to maintaining best-in-class service quality and how our integrated assets are providing value to our customers.

Our Medicaid membership grew 5.2% sequentially as states responded to the COVID-19 pandemic by suspending eligibility redeterminations. Looking ahead, we have a robust pipeline of opportunities to serve this population across various states given our diversified assets and local presence.
And finally, commercial membership declined 3.1% sequentially including the previously disclosed transition of a large public and labor client. This sequential decline in membership in the third quarter was less than initially anticipated.

In total, medical membership declined 316,000 sequentially. Our MBR for the quarter of 84% increased 70 basis points compared to the prior year driven by COVID-19-related investments, shifts in mix of our business, as well as the effects of the Aetna PDP divestiture, partially offset by the reinstatement of the HIF. Days claims payable were 49 days for Q3, lower than Q2 as utilization has returned to more normal levels. We remain confident in the adequacy of our reserves.

Moving to Pharmacy Services, performance in the quarter was excellent, exceeding our expectations. Adjusted operating income increased 12.5% compared to the third quarter last year driven primarily by improvements in purchasing economics and growth in specialty pharmacy. Total revenues declined approximately 1% versus last year primarily driven by the previously disclosed client losses and continued price compression. The decline in revenue was partially offset by growth in specialty pharmacy of 6.5% and brand drug price inflation.

Total pharmacy claims increased 3.7% in Q3 mainly driven by net new business. COVID-19 had an unfavorable impact on volume in the quarter reflecting lower new therapy starts, a trend that has continued from last quarter. Shifting to the 2021 selling season, our renewals are now largely complete with a strong 98% retention rate. To-date, we have gross new wins of $4.6 billion for 2021.

And finally, our Retail/Long Term Care segment continues to demonstrate strength in top line performance despite headwinds created by the current environment. Total revenues grew 5.9% year-over-year driven by increased prescription volume and front store sales as well as diagnostic testing and brand inflation. Front store revenue increased 2.7% driven primarily by consumer health sales and a higher basket size, partially offset by lower foot traffic. Retail/Long Term Care prescription volume increased 4.6%, benefiting from flu vaccinations and continued adoption of patient care program.

Gross margins for the segment declined about 150 basis points versus 2019, in line with our expectation. Adjusted operating income declined 6.9% year-over-year driven by continued reimbursement pressure and lower bed census in the Long Term Care business. These were partially offset by increased pharmacy volume and front store volume. Impacts from COVID-19 in the quarter were not material as higher operating expenses were essentially offset by the benefit from our COVID-19 testing.

Moving to other notable items on the income statement, we incurred lower interest expense as a result of our continued debt pay down, and the adjusted tax rate was higher in Q3 2020 compared to Q3 2019 primarily due to the reinstatement of the HIF.

As we think about our outlook for the rest of the year and 2021, we, just like others, are facing uncertainty as to what will happen with COVID-19. In our slides we have again shared monthly metrics to enable you to understand the trends in our business during this unusual time.

During the month of October, flu vaccinations increased versus LY. We also experienced reduced cough and cold sales in the front store and lower MinuteClinic visits and prescriptions for flu and flu-like symptoms. Medical utilization is trending generally in line with normal levels varying by geography and type of business.

With that, as Larry mentioned, we are raising our full year 2020 adjusted EPS guidance range to $7.35 to $7.45 to reflect the outperformance as well as the estimated unfavorable impact of COVID-19 in Q4. We remain confident
in delivering savings of $800 million to $900 million from integration synergies for the full year 2020. As mentioned last quarter, we expect approximately $2 billion of COVID-related investments, refunds, and rebates for the year.

We are also raising our full year 2020 cash flow from operations guidance to $12.75 billion to $13.25 billion. The increase reflects the underlying performance of the business as well as working capital improvements. The cash flow from operations guidance includes the October receipt of $313 million that was owed under the ACA risk corridor program. Note that this income from this payment will be excluded from non-GAAP results.

Let me share a little color on what we expect for the segments in the fourth quarter. Similar to Q3, within Health Care Benefits we expect medical utilization to continue at more normal levels with select geographic areas affected by COVID-19 waves. The investments discussed are expected to have the greatest impact in Q4. Additionally, Health Care Benefits will incur seasonal costs during Q4 related to readiness for 1/1. In the Pharmacy Services segment, we expect the business to continue to deliver operating income growth in the fourth quarter including strong specialty performance and higher cost associated with 1/1 readiness. In addition to the comments noted about October, the Retail/Long Term Care segment is expected to have lower flu vaccinations for the remainder of the quarter due to the acceleration of our programs. These impacts are partially offset by continued benefits from our expanded COVID-19 testing.

As we look ahead to 2021, we have received many questions on the 2020 jump-off. I want to be clear. Our target remains to grow mid-single digits off our baseline, and we are confident in our outlook. As we typically do, the baseline removes prior-year’s development and net realized capital gains or losses as we do not forecast these items. As you’d expect, we are also adjusting for the COVID-19-related activity and the Workers’ Comp divestiture. When factoring in all of these items, I would think about our baseline as about $7.10, which is at the midpoint of our initial guidance for 2020.

In summary, our financial resilience through this period reflects the strength of our diversified portfolio of assets and our ability to deliver on expectations. We are executing on our strategic plan to do more with what we have and deliver new and innovative products and services in this dynamic environment. We continue to demonstrate the early success of our health care services model. We are on a path to fundamentally change the consumer experience to make health care more affordable, accessible, and better. Our continued execution and strong cash generation are propelling us toward achieving our long term sustainable growth.

With that, let’s open it up for your questions.
QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And we'll go first to Lisa Gill with JPMorgan.

Lisa C. Gill
Analyst, JPMorgan Securities LLC

Q

Thanks very much. Let me be the first to congratulate you, Larry, on your retirement. It's been great working with you and to see this strategic vision that you've put together for this company. So congratulations, and obviously congratulations to Karen also. I am incredibly happy to have a woman CEO for one of our large cap companies. So all the way around, I think this is great for CVS.

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.

A

Thanks, Lisa.

Lisa C. Gill
Analyst, JPMorgan Securities LLC

Q

So, Larry, on my question, just want to understand. You gave us a lot of information today, clearly moving in the right direction around some of the initiatives that you've put in place. When we think about, for example, the HealthHUB, 450 in 30 states, is there a way to think about how that has driven the performance of the enterprise or has driven the performance of those stores to get a baseline of how we think about some of these opportunities going forward? As well as you talked about incremental chronic visits in the MinuteClinic. How do we think about those things coming together? And what are going to be the most important metrics for us to follow as we think about the progression of the company into 2021, 2022?

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.

A

Yeah, Lisa. Thanks for the question. And Lisa, as you look at the HealthHUBs today and as you look at the performance within the four walls of the store, we continue to be pleased what we're seeing even in a COVID world. Okay. In terms of additional visits, whether it's MinuteClinic, whether it's pharmacy utilization, and as we look at the front store performance, we are selling a different mix of products that with that comes a higher margin profile for the front store. So that's the first part of the story.

The second part of the story is really what the HealthHUBs enable across the enterprise. And as we talked last quarter, COVID did slow us down in terms of turning on all of our marketing programs and related activities. In the last, I'll say, four to six weeks, we have now begun to turn those things back on along with some of the integrated products that are coming to market, example of that being Aetna Connected that we talked about in our prepared remarks.

So the second value creator is what the HealthHUB enables in terms of value creation that accrues somewhere else across the enterprise. And as we begin to scale up, those types of – whether it's enrollment in Aetna Connected is one example, along with the other products we talked about, Transform Diabetes Care. And obviously Alan plays a role in terms of how that plays through the Caremark business with their clients. That's what we'll be talking about in totality, acknowledging that there's a scaling issue as those products come to market.
Yeah. Just as a quick follow-up. I mean, if we think about it, you talk about that the marketing of these programs. Are we thinking about this as primarily a driver of adding to membership for Aetna whether it's in the MA programs or the commercial programs? Or are you thinking, Larry, of this more broadly, of when you think about advertisement, is it more towards the consumer where the consumer is going to be picking some of these programs? And I'll stop there.

You know what, Lisa, it's a great question. And it's really both. And there's the general marketing to consumers in terms of the awareness of what new products and services may be available in the store. An example, the countless numbers of people that suffer from sleep apnea and how we now become part of their maintenance program as you think about the products associated with that.

And then equally if not more important is the second part of your question in terms of what it does in terms of attracting. It's what we've talked about as one of the important value creators in terms of how we can grow lives as a result that and how those lives further penetrate the various community assets that we have in terms of higher utilization. You heard us talk about examples in our Medicare offerings for 2021 as another example that leverage those CVS community-facing capabilities.

Lisa, another way to think about it, to add to what Larry said, between Caremark and the Health segment, we have 100 million members between the two of us. So if you think about those 100 million members and the opportunity we have to change our products and services to attract them to the HealthHUBs, that gives us a good opportunity for growth as well.

Great. Thank you.

Thank you. Eric and Josh here. And credit to the board on succession and congrats to Larry and to Karen. Question on PDP. The plans nationally next year have premiums of around $7. This appears to be about half of the next closest competitor. So I think the question is, what is the strategy driving this? And can you show positive op income in PDP on those premiums?

Well, first off, thank you. Relative to PDP, if you recall when we took over the SilverScript business, we had a very defined strategy to rebalance the product portfolio to achieve higher margins, and the second part of that strategy was to attract PDP members that we could ultimately convert to Medicare Advantage members. So as we
changed the product portfolio this year, we introduced the new PDP product. We have priced it at the target margins that we believe are appropriate. The product is designed for a certain set of individuals that we believe can ultimately and will be interested in moving to Medicare Advantage. So we’re pleased with where we are priced and the product and service that we’re offering in PDP.

Eric Percher  
Analyst, Nephron Research LLC

Thank you for that. And just on the PBM purchasing side, can you give us a little of what does that mean, and is it early for the linked benefits that you spoke to last quarter?

Larry J. Merlo  
President, Chief Executive Officer & Director, CVS Health Corp.

Yeah, Eric. Thanks for the question and the comments earlier. I'll flip it over to Alan.

Alan M. Lotvin  
Executive Vice President & President-CVS Caremark, CVS Health Corp.

Yes, Eric, thanks. When we think about purchasing economics, it spans a broad range of activities, right. It's drug purchasing within our own pharmacy. It's retail network contracting. It's contracting with the pharmaceutical manufacturers. It's driving brand generics, which is all those things go into purchasing economics, and they're among the most important and most active parts of the organization.

Eric Percher  
Analyst, Nephron Research LLC

Thank you.

Operator: We'll go next to Ricky Goldwasser with Morgan Stanley.

Ricky R. Goldwasser  
Analyst, Morgan Stanley & Co. LLC

Yeah. Good morning. And, Larry, always appreciated your long term vision, and using your words up to Karen not being afraid to make the hard decisions for the long term opportunity, and also your access and your insights. So best wishes in everything. And, Karen, looking forward to working with you for a very long time.

My question is related to the 2021 guide. I appreciate that there are multiple variables, but we now know CMS established reimbursement for COVID vaccine. You guys I think a couple of weeks ago [indiscernible] (41:03) quantified how many more individuals you’re going to hire to assist in that effort. How should we think about this opportunity within the 2021 growth target that you provided us? Or is it an incremental and one that you will address upon a vaccine approval?

Eva C. Boratto  
Chief Financial Officer & Executive Vice President, CVS Health Corp.

Hi, Ricky. It's Eva. I'll take your question. Thanks for that. Overall, I guess, where I want to start is, as we look at all of the aspects of our business and all of the variables that could affect our business, we remain confident with mid-single digit growth. And certainly in February on our year-end earnings call we'll have more to provide there. But we believe we've made the right investments over the last several years to set us up to continue to accelerate growth.
Some of the things I'd highlight are we've invested in our STAR ratings, delivering new offerings. You heard Karen, Larry talk about that. Continuing to expand our diagnostic areas and things you've heard us talk about related to the HealthHUBs and modernize and manage our underlying cost structure. So there are many moving pieces, as you can appreciate. There's a lot of uncertainty as well in terms of the timing of different aspects, but we'll come back in February providing greater detail.

And I would add one more point, Ricky. I would add is, as you've seen our business perform over the last several quarters during COVID, we have some natural offsets in our business. What is an opportunity for one side of the business may be an incremental cost for another area. So, our diversified portfolio is really playing together nicely.

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.

And, Ricky, thanks for the comments. The only other point that I would make in terms of – I think what we'd like people to walk away from is if we told you a year ago that to-date 6 million people would have gone to their local CVS pharmacy for a diagnostic test related to some virus, I would probably get an eyeball roll. The reality is that's happened, and it really speaks to the strategy that we've talked about in terms of meeting people where they are, one example of that being in the community. So, again, I think, it's a very tangible proof point of our strategy coming to life in a very meaningful way, and we look forward to playing an important role in the vaccine administration once that becomes available.

And as Eva pointed out, there's a lot of uncertainties. And in February when we get to the Q4 call, we'll provide a lot of context in terms of 2021 as well as the assumptions that we're making because between now and then probably all the questions won't be answered. But we'll talk about how we're thinking about it for the year.

Ricky R. Goldwasser
Analyst, Morgan Stanley & Co. LLC

Okay. And just a quick follow-up. As you think about the strategy in the Retail segment, you highlight Long Term Care is still a headwind. You've been evaluating this business for a while now. So as we sit here, do you view it as a strategic asset to the business that justifies keeping it at the losses?

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.

Well, Ricky, look, as we look at the challenges in Long Term Care, we view those as – I'll describe them as cyclical that are directly tied to COVID. And Eva talked about lower bed census. That continues. We think that once COVID is behind us that they will return to more historic levels of occupancy, and we continue to see the assisted-living space as an important element of those that we can serve.

And we're continuing to look at those opportunities as we think about what we can do today in a COVID world, okay, in terms of supporting those facilities when you think about both testing as well as vaccine administration and then how that transitions in a post-COVID world.

Ricky R. Goldwasser
Analyst, Morgan Stanley & Co. LLC

Thank you.
A.J. Rice  
Analyst, Credit Suisse Securities (USA) LLC

Hi, everybody. And best wishes to Larry, and congratulations to Karen. Just maybe to pick up on the comments that were made around the Medicaid business in the prepared remarks, I know, we’re talking about the lack of redeterminations helping the enrollment growth that you’re seeing there. I wonder one of the issues with redetermination is people not being eligible for Medicaid and being taken off the rolls.

With the underlying economy situation we have now, as you assess that, do you think that the headwind of redeterminations coming back will be less of a headwind if the economic environment stays persistent because maybe more of those people will actually be eligible?

And then you mentioned that there were some – you were looking forward to RFP activity next year. Any assessment of that in early discussions about rates around 2021 in Medicaid?

Karen S. Lynch  
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

Hi, A.J., it’s Karen. Relative to the opportunities for next year, we’re – there are a number of RFPs that we are assessing that we feel that we’re well-positioned for, so we’re excited about the integrated value and the opportunities we think we can bring to the marketplace with all of our enterprise assets. So we’re working through that. I would note that relative to one of our contracts that is under protest, so we’re monitoring that very closely, and that was a large contract.

On redeterminations, obviously we are monitoring that, and that has been a big part of our growth this year. Unemployment, we expect to continue to see unemployment. We expect to see increases in Medicaid enrollment as a result of that as well. So, Medicaid is an important business for us. It does have the opportunity for growth. It is strategically positioned as an important business, and we hope to continue to grow that asset.

A.J. Rice  
Analyst, Credit Suisse Securities (USA) LLC

Just any thoughts on the rate outlook, given some states are having budgetary pressures? [indiscernible] (48:21)

Karen S. Lynch  
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

Yeah. Thank you. I forgot you asked that question. Obviously, the states have a lot of budget concerns. In a lot of our contracts, they have protection on risk corridors, and we’re working very closely with the states on Medicaid rates. And we’ve always been in the position to have conversations with them about actuarial soundness. So those are the conversations that we’re having, but we do anticipate in the fourth quarter to see some impact on our Medicaid business as a result of state rate adjustments.

A.J. Rice  
Analyst, Credit Suisse Securities (USA) LLC

Okay. Thanks a lot.
And congratulations to Larry and Karen as well. My question really kind of goes back to a little bit on the Aetna Connected also with the HealthHUBs. I think last year, obviously, very few HealthHUBs were up, and I think you guys wanted to get to a bit more of a critical mass before having it launched more directly into the Aetna membership.

When you guys talk about this Aetna Connected plan, is the HealthHUB a key part of that benefit design? Because my sense was back then that, that was sort of the idea moving forward is to really use HealthHUB as a key part of the care delivery here for Aetna members to demonstrate the savings able to generate from that and then be able to maybe productize that going forward to sell to other plans. Just wanted to understand if that's still sort of the idea that you’re moving towards. Is that in the benefits design for 2021? And just any kind of color around how that's evolving?

Karen S. Lynch
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

Yeah. What we've done to drive volume into not only the HealthHUBs but our MinuteClinics is we've offered low-cost, no-cost co-pays. We have almost 4 million members in that product design today. We have started to see increase in Aetna membership in our HealthHUBs overweighting kind of for chronic diseases, so we're pleased with what we're seeing for the benefit design. And then obviously driving utilization into MinuteClinics and the HealthHUBs.

Our connected care products which we introduced this year as well is designed to essentially leverage all of our company assets, and we're really excited. We've seen good pipeline, good interest in that. That not only supports the MinuteClinics, HealthHUBs, our standard formulary, our telemedicine, our Coram business. So again, we're looking at opportunities when we develop products, we develop designs for the integrated assets of the company.

Eva C. Boratto
Chief Financial Officer & Executive Vice President, CVS Health Corp.

And, Karen, if I could just add in addition to what you said, as you thought about the MA designs as well, and for this year it was a smaller pilot, but we've also expanded as we look forward to 2021 incorporating the enterprise assets and the hubs.

Karen S. Lynch
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

That's correct.

Larry J. Merlo
President, Chief Executive Officer & Director, CVS Health Corp.

Yeah. And, Charles, I alluded to this on an earlier question in terms of concentration, and we continue to believe that 1,500 hubs is the right number. I'm sure everybody can appreciate that converting HealthHUBs in a COVID world has been a challenge just from a logistics point of view, so the build-outs have been a little more difficult.

We will end the year this year around 600 hubs. And as you think about 2021 and the earlier discussions or question around testing vaccines, we have re-prioritized some capital and resources investing in those capabilities as we think about the ongoing role that testing and vaccine administration will play.
So as we think about 2021, we will – by the end of the year we will have at least 1,300 hubs. There may be some spillover to that 1,500 number into the early part of 2022, but that level of concentration certainly allows us from a sales point of view to address the multi-regional and the national clients in a very differentiated way than what exists today. So most of what the question you were asking is more very regionally focus where we have a concentration within a particular geography.

Charles Rhyee  
**Analyst, Cowen and Company LLC**

That's helpful. Thanks. And, Eva, if I could follow up with you real quick, cash flow was obviously very strong for the full year here. If I recall, you guys had been more or less said you'd probably hold off on really any meaningful share repurchase until you get the leverage down sort of that three times range by 2022. If cash flow continues to come in stronger than expected, any potential to layer in a little bit of additional share repo earlier than we could assume?

Eva C. Boratto  
**Chief Financial Officer & Executive Vice President, CVS Health Corp.**

Thanks for that question. At this juncture, what I would say is we continue to stay focused on achieving our low three times leverage ratio, and I'm extremely pleased with the cash and the focus across the company. You heard our increasing guidance was due to the underlying operations as well as the focus on working capital, and we will continue to focus to get to that target ratio.

Charles Rhyee  
**Analyst, Cowen and Company LLC**

Thank you.

Karen S. Lynch  
**Executive Vice President & President-Aetna Business Unit, CVS Health Corp.**

While – I'd just add, while investing in the business as we've spoken about and maintaining the dividend.

Larry J. Merlo  
**President, Chief Executive Officer & Director, CVS Health Corp.**

Next question?

Operator: We'll go next to George Hill with Deutsche Bank.

George Hill  
**Analyst, Deutsche Bank Securities, Inc.**

Good morning, guys, and thanks for taking the questions. And let me echo my congratulations to Larry and to Karen. And I'll say given the week we're in, it's always good to see a peaceful transition of power. So that's nice.

Larry J. Merlo  
**President, Chief Executive Officer & Director, CVS Health Corp.**

Thanks, George. Good comment.
George Hill  
Analyst, Deutsche Bank Securities, Inc.

I guess, Larry and Karen, as we think about the MinuteClinics and the HealthHUBs, one of the things we’ve seen coming out of the COVID crisis is that ED utilization remains sharply lower, likely to the benefit of other benefits channels like retail and urgent care. I guess what I would ask is, are you guys seeing anything you can do to kind of lean into the market share shifts where people are accessing the care delivery channel? And kind of like what do you see is the best opportunities to maximize that as we look out over the next 6 to 12 months?

Karen S. Lynch  
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

So, as you said, consumer behaviors have changed dramatically because of COVID, and we do believe that we need to meet people where they need to be met for their care delivery, having that be in our HealthHUBs and MinuteClinics, having that be through telehealth capabilities. And as we mentioned on our last call, we are building out E-Clinic capabilities so that we can certainly address when people want to have telehealth capabilities.

We also see an advantage for people being in the home, and we believe there's opportunity for serving members in their home through our nurses and other services that we have yet to build out.

Larry J. Merlo  
President, Chief Executive Officer & Director, CVS Health Corp.

And, George, the only point I would add to that is keep in mind the regulations being relaxed have enabled a lot of what Karen just alluded to, and the customer satisfaction, patient satisfaction around that is extremely high. And I am very optimistic that in a post-COVID world we won't go backwards, okay, because those relaxed regulations are – you've got a high level of customer satisfaction, and in terms of what we're monitoring, there's also a high level of quality associated with how the services are being provided for today.

George Hill  
Analyst, Deutsche Bank Securities, Inc.

Okay. And if I could have a real quick follow-up for Karen, I want to ask a follow-up on Eric's question. What have you guys seen to be the most effective tools for flipping PDP members to MA and keep the member from kind of making a fresh plan decision from a vendor perspective or a carrier perspective if they want to make the PDP to MA flip?

Karen S. Lynch  
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

Yeah. We've had tremendous success in doing that. You heard Eva earlier talk about the 40,000 members that we've moved. We really have a targeted strategy to identify those members that make the most sense. We use our marketing tools and then obviously with our broker channel have those conversations. And now with the change in the pandemic we’re using a lot of digital capabilities to interact with those individuals.

But we're quite pleased with the success that we've had. The product that we've put in the marketplace has been very targeted, and we're confident that we can continue to grow moving from PDP to MA.

George Hill  
Analyst, Deutsche Bank Securities, Inc.
Eva C. Boratto  
Chief Financial Officer & Executive Vice President, CVS Health Corp.

Next question, please.

Operator: We'll go next to Lance Wilkes with Bernstein.

Lance Wilkes  
Analyst, Sanford C. Bernstein & Co. LLC

Great. Certainly congratulations to you, Karen. And congratulations, Larry, on your tenure. Wanted to ask a question related to your go-to-market strategy and the way in which you're integrating HealthHUBs into the Aetna offerings, not just as an access point, but things you might be doing with care management and things like that. And was interested in how it worked going into the 2021 sales cycle, how it's looking in 2022 as well.

Karen S. Lynch  
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

Lance, let me comment on the national accounts. You recall that our first and foremost strategy was to deliver the medical pharmacy integration. We achieved over $300 million of additional pharmacy revenue as a result of that integration.

Relative to the HealthHUBs, the MinuteClinics, I think what we've done here on these benefit designs, recognizing that 4 million people have already have benefit designs that support our HealthHUBs and support our MinuteClinics is truly a good indication that we – that it's resonating.

We also are working with certain national accounts on piloting where HealthHUBs would be kind of primary first place for them to go. So we have one large national account that's working with us to see how that would work, and we're excited about that possibility, and then leveraging that to other national accounts.

Clearly there is other opportunity from our Caremark business. And let me have Alan talk about what those are as well.

Alan M. Lotvin  
Executive Vice President & President-CVS Caremark, CVS Health Corp.

Yeah, Lance, I would say as we went through the 2021 selling season, the ability to use HealthHUBs was really demonstrative of the last-mile connectivity we have into members, and so it really was a very important part of a successful sales season in differentiating the enterprise and Caremark.

So we're super excited to continue to drive these sort of new tools into the Caremark book of business. The Caremark customers are very receptive, very responsive. Some of our early pilots were with Caremark health plans. So I think this is going to be a – continue to be a real differentiator for the Caremark organization as well.

Lance Wilkes  
Analyst, Sanford C. Bernstein & Co. LLC

Yeah, that's great. And just a quick follow-up on – with you moving up, Karen, to run the whole company, what are you guys thinking from leadership at Aetna? I know you've been adding talent in there. Just interested in any initial comments on that.
Karen S. Lynch  
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

Yeah. We'll be announcing a leadership change shortly, so more news to come on that.

Lance Wilkes  
Analyst, Sanford C. Bernstein & Co. LLC

Thanks.

Larry J. Merlo  
President, Chief Executive Officer & Director, CVS Health Corp.

Next question?

Operator: We'll go next to Michael Cherny with Bank of America.

Michael Cherny  
Analyst, BofA Securities, Inc.

Good morning. Thanks for taking the question. And like so many others, Larry, best of luck in retirement. It's been a pleasure working with you. And, Karen, congratulations on the new role and look forward to working more closely together. So again, best wishes to both of you.

Thinking about the front end of the store, clearly there's been a redefining on how people are shopping, both in your stores and through some of the digital capabilities. As you think about the next three years of – next five years whatever the right number is of the store-based build-out, store-based adjustments, how do you think about the changing dynamics of the types of SKUs that you want to use? And also as well some of the potential investments you're making on the digital side specifically tied to front of store and the e-commerce channel as much as you’re doing some of the digital efforts on a lot of the pharmacy and obviously across the rest of the business?

Jonathan C. Roberts  
Chief Operating Officer & Executive Vice President, CVS Health Corp.

Yeah. Hi, Michael. This is Jon. So as you think about what we’ve done in the HealthHUBs and the SKU pivot that we did to more health and wellness products, skinning down general merchandise, and we ended up taking space from the front end of the stores. And we're continuing to see an increase in sales in less space and an increase in margin. And so we've been able to take those learnings and move that out to the balance of the stores, and that'll continue to happen over time.

As we think about digital, our strategy is going to be anchored around the pharmacy customer and omni-channel and promoting products that are relevant to them based on what we know about them, and then allowing them to pick up their products either at the store, through the drive-thru, or sent to their home.

And, as you know, we have our CarePass program that we launched last year in August, and we're up to 3.4 million members. And the encouraging thing is our enrollments have remained constant through COVID, and CarePass enables that free delivery and enables them to come in and buy incremental front store product as they participate in that program. And we're seeing an additional trip from each of these members per month. And so we're very happy with linking all of these capabilities together.
Michael Cherny  
Analyst, BofA Securities, Inc.

Got it. And then I know, I don’t want to get too much into 2021 guidance beyond the baseline dynamics that you gave, but as you think about the incremental COVID-related costs you’ve had in the store, how should we think at least qualitatively about how those should transition especially against the backdrop of the potential ramping of costs tied to a hopeful vaccination process?

Karen S. Lynch  
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

Yeah, Michael. Thanks for the question. As you think about the incremental operating costs, the PPE, the store cleaning, and those types of areas, I would think about those on a monthly run rate in the 7-ish million range. It obviously can fluctuate depending on what's going on in a particular area in a particular market.

And, as Larry said earlier, we have been investing and looking in terms of the testing going forward, readiness around being a vaccine distributor and to be ready to deliver a vaccine when one comes to market.

Michael Cherny  
Analyst, BofA Securities, Inc.

Great. Thanks.

Larry J. Merlo  
President, Chief Executive Officer & Director, CVS Health Corp.

Rita, we'll take two more questions, please.

Operator: Ann Hynes with Mizuho, please go ahead.

Ann Hynes  
Analyst, Mizuho Securities USA LLC

Hi. Good morning. Congratulations, Larry, on your retirement. You will be missed, and obviously congratulations to you, Karen. I have a Washington question for you, Larry. Over the past few years, the talk about removing the rebates from Medicare Part D has been a big overhang, and I feel like that's been a President Trump and Alex Azar issue. And now since Biden is likely going to win and HHS and CMS will change, can you just give us a feel for how much Democrats support that policy, since it's such a big overhang for your stock?

Larry J. Merlo  
President, Chief Executive Officer & Director, CVS Health Corp.

Ann, it's a great question, Ann, and look, I wouldn't say that I could answer that there is one party pre-occupation with rebates. And I think, it comes back to the stories that we've told countless times in terms of the value that PBMs play in driving down the net cost of pharmaceuticals and the fact that the vast, vast majority of those rebate dollars get passed back to plan sponsors.

And you remember when we had the great debate as it related to the PDP program and the analytics that were done not by us, but by independent authorities that said that premiums were going to go up for seniors by as much as 25% to 30%. And, yes, there were a relatively small percentage of higher utilizers that would net out favorably, but for more than 80% of seniors their costs were going to go up as a result.
And those facts haven’t changed. And it’s those facts that killed that rebate rule from moving forward. And if we were to sit here today and reinvigorate that debate, we would be having the same discussion that we had a few months back.

Ann Hynes  
Analyst, Mizuho Securities USA LLC

All right. Great. And then also just on Biogen's Alzheimer's drug, I know we've talked about this before, but obviously the market really didn't think it was going to be approved. And now there's a greater chance I guess going into 2021. Can you just talk about how this potential drug was underwritten in managed care business? Thanks.

Larry J. Merlo  
President, Chief Executive Officer & Director, CVS Health Corp.

Yeah, Ann. I would just say that — and we'll talk more about that as we give our 2021 guidance and outlook. But that drug, we're still working to understand the indication in terms of it is our understanding that it has a very narrow indication based on the symptoms that a particular patient may present. So it’s — there's more to come on that.

Karen S. Lynch  
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

And I think, Ann, from an underwriting perspective, our actuaries always work closely with the clinical teams, understanding the pipelines, understanding the probabilities to factor in all of the variables to underwrite our business with the greatest level of accuracy possible.

Operator: We'll go next to Steve Valiquette with Barclays.

Steven James Valiquette  
Analyst, Barclays Capital, Inc.

Great. Thanks. Let me offer my congrats to Karen as well. And, Larry, you had a pretty strong track record as CEO. I think, the company actually either met or exceeded the initial EPS guidance every single year since 2011, so congrats on a successful career.

Larry J. Merlo  
President, Chief Executive Officer & Director, CVS Health Corp.

Thanks, Steve.

Steven James Valiquette  
Analyst, Barclays Capital, Inc.

A couple of questions here from me. First, the monthly medical utilization trends on slide 18 are pretty helpful. Is there anything...
Karen S. Lynch  
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

Steve, we lost you.

Larry J. Merlo  
President, Chief Executive Officer & Director, CVS Health Corp.

Look. I think, where Steve was going with his question was...

Eva C. Boratto  
Chief Financial Officer & Executive Vice President, CVS Health Corp.

Karen, I think, he was asking about...

Larry J. Merlo  
President, Chief Executive Officer & Director, CVS Health Corp.

...about the utilization trends in COVID. So Karen, can...

Karen S. Lynch  
Executive Vice President & President-Aetna Business Unit, CVS Health Corp.

Yeah. Let me just comment on utilization. As we've mentioned, utilization has been steadily rising since April. It does vary by segment. We have our commercial segment that is back to almost near-normal levels. Our Medicare business is slightly depressed.

And relative to the cost categories, we are continuing to see lower utilization in emergency room and inpatient, but above levels in specialty pharmacy, lab, and radiology. Obviously, it will vary by product and by geography, and we're closely monitoring our utilization because of the COVID viruses in the certain geographies.

What – relative to elective procedures, we have seen electives come back, but again that varies by geography. We see it more depressed in areas that the virus has spiked. But overall that's where our utilization is, and we're monitoring it very closely.

Larry J. Merlo  
President, Chief Executive Officer & Director, CVS Health Corp.

So, Rita, do we have one more, since Steve got cut off? Or is he back on? Or...

Operator: We can go next to Justin Lake with Wolfe Research.

Justin Lake  
Analyst, Wolfe Research LLC

Hi. I'm going to thank Steve for that. Thanks for fitting me in. And congrats to Larry and Karen. A couple of follow-up questions here. First, on the 2021 outlook, specifically in the second quarter you talked about being on track with COVID being an uncertainty for that. Here I haven't heard you use that language. So is it fair to think that you feel like you've got a better view on – Eva, I think you said puts and takes around COVID? And thus you feel like 2021 you're on track even with the puts and takes of COVID?
Hi, Justin. Thanks for that question. Absolutely. We provided the baseline jump-off $7.10 right in the middle of our initial guide, reflecting the underlying performance, adjusting for the variables that I outlined in my prepared remarks. Additionally, as I said, we remain committed and on track toward the mid single-digit targets that we have for 2021.

As you've seen quarter-in, quarter-out, our overall enterprise has been performing, delivering on the expectations that we have set, and the assets are working together to deliver on our expectations.

Great. Thanks for that. And then just my last follow-up on the Pharmacy business, and specifically you talked about the fact that the monthly numbers are really great. Appreciate you offering those each quarter. September was really strong across the Pharmacy business, and I think you said it had to do both with early flu and COVID. October a little weaker. I assume that's because of flu. I think you noted that. Can you try to delineate that for us in terms of, how did flu impact September? And also, what are you seeing in terms of – is there a number you can put around the benefits of COVID from a testing perspective that's running through the pharmacy? Thanks.

Yeah. Justin, it's Larry. And there's a couple of variables in play here. And if you go back to the March timeframe when we saw a lot of pull-forward activity especially with 90-day, you're going to see – you're going to continue to see some spike. It's starting to even out where you saw this dynamic in March but then you saw 90 days later in June, 90 days later in September.

The second dynamic that we did see the seasonal flu vaccine really spike in September. We always start that program in very late August, and we ran September where flu vaccines year-over-year were probably double what they were the prior year. Good news. People were heeding the public service advice in terms of the importance this year of the flu vaccine.

So as you move into October, that is beginning to normalize. So you don't see that spike continuing. And as you look at the comparison of seasonal flu year-over-year, the good news is we do not see any outbreaks at this point even regionally of the seasonal flu. And if you compare that to last year, the seasonal flu did begin in the month of October. So that is depressing the October numbers.

So hopefully that gives you some context of the variables that are in play.

And with that, look it was a long call. I know there was an awful lot of information. We appreciate everybody joining us this morning. And I think you hear our enthusiasm for the progress that we've made, our Q3 results. And please stay safe, stay healthy, and we'll talk to all of you soon.