

Transforming the Consumer Health Care Experience

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Healthcare Conference

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 **CVS**Health





Cautionary Statement Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of CVS Health Corporation. By their nature, all forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons as described in our Securities and Exchange Commission filings, including those set forth in the Risk Factors section and under the section entitled “Cautionary Statement Concerning Forward-Looking Statements” in our most recently filed Annual Report on Form 10-K and Quarterly Report on Form 10-Q.



Our Integrated Model Positions Us to Transform the Consumer Health Care Experience

Retail / Long-Term Care



Pharmacy Services



Health Care Benefits





Our Integrated Model Positions Us to Transform the Consumer Health Care Experience





Making Progress on Aetna Integration

Closing Date

- Transaction completed on November 28, 2018

Purchase Price

- Equity value of ~\$70 billion. Including the assumption of Aetna debt, total transaction value of ~\$78 billion; funded with:
 - Cash on-hand
 - Issuance of \$40 billion in senior notes
 - Term borrowings of \$5 billion
 - Issuance of 274.4 million shares of CVS Health stock

Update on Tunney Act Review

- CVS Health and Aetna are one company and we continue to make progress on our integration efforts
- Ongoing review and voluntary commitments will not impact our timeline for achieving targeted synergies



Clear Path to Debt Repayment

Share Repurchases	Suspend the share repurchase program until target leverage ratio achieved
Dividends	Keep dividends per share flat until target leverage ratio achieved
M&A Strategy	No additional major transactions contemplated
Capitalization	Insurance subsidiaries remain capitalized at existing strong investment grade financial strength ratings

Cash available to be used for debt retirement to achieve targeted leverage of low 3x adjusted debt-to-adjusted EBITDA in a timely manner

Expect interest expense of approximately \$3.1 billion for full-year 2019

Source: CVS projections, Aetna projections, and near-term synergies per CVS management; and company filings.
Note: Adjusted debt / adjusted EBITDA; includes debt and EBITDA adjustments for implied interest expense of net operating leases per CVS methodology.



2019 Headwinds and Tailwinds

HEADWINDS

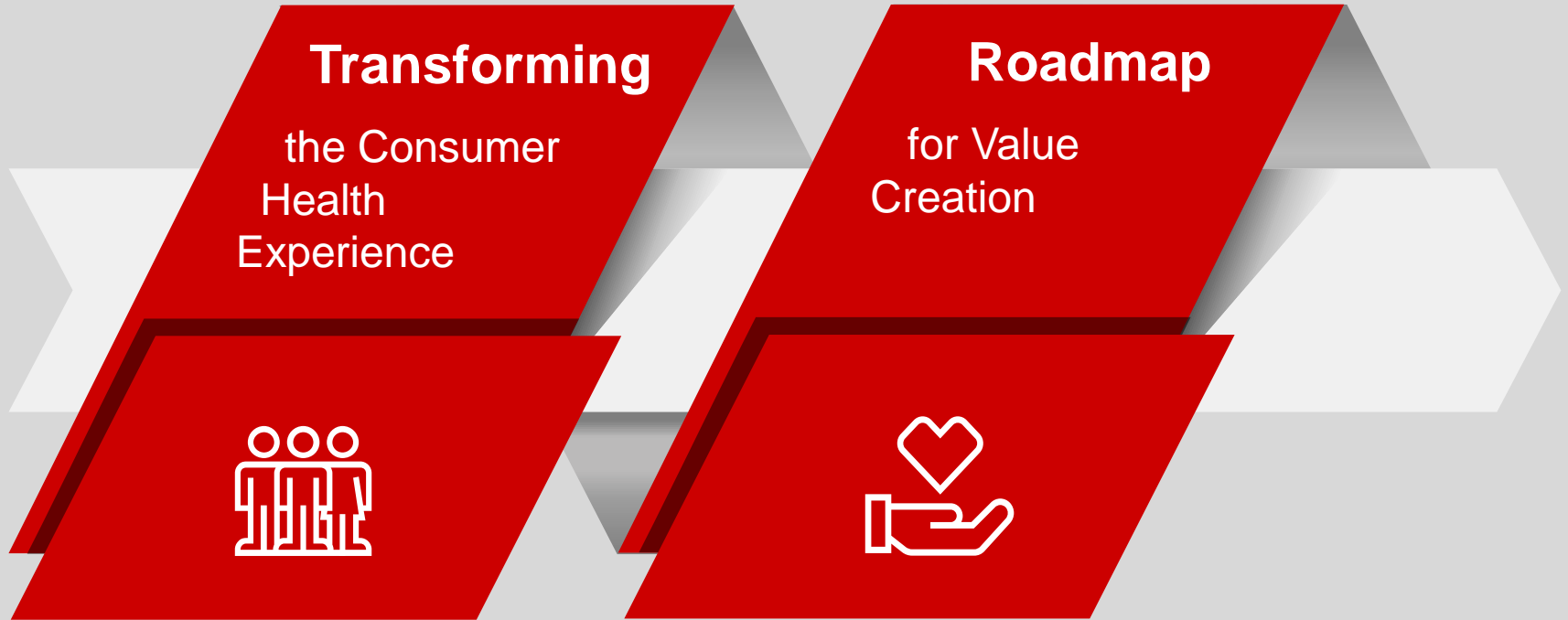
- Less impactful break-open generics
- Continuing pricing and reimbursement pressures
- Brand inflation levels lower than historical levels
- Wrap of 2018 tax reform investments
- Investment spending
- Aetna experience rating

TAILWINDS

- Retail script growth outpacing market
- Specialty growth
- Progress on enterprise streamlining initiative
- Government membership growth in Aetna book of business

2019 guidance to be provided on 4th quarter earnings call in February

Agenda



Challenges in Today's Health Care System Lead to Inferior Outcomes and Increased Costs

Current System



COMPLEX



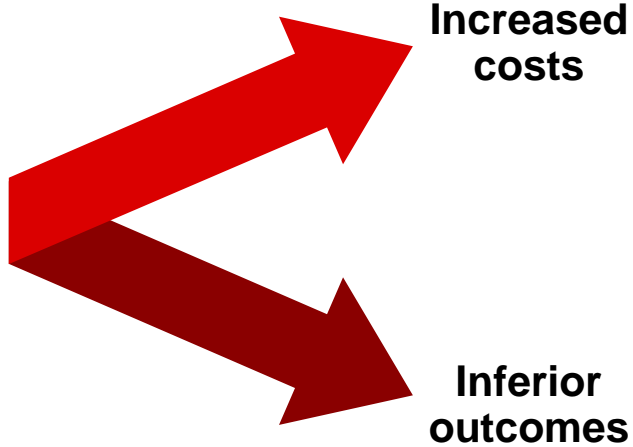
EPISODIC



FRAGMENTED



WASTEFUL



Current system
is unsustainable
and in need of
transformation

Transforming the Consumer Experience Begins With Creating a New Front Door to Health Care



Consumer



New Front Door to Health Care

Improving the consumer experience



Improves engagement



Improves health outcomes



Lowers total health care costs

System needs to be redesigned with a focus on consumers

Three Imperatives Guide How Health Care Consumer Engagement Is Transformed ...



1 Be
Local



2 Make it
Simple



3 Improve
Health

... and guide our strategies for medical
cost savings

Common Chronic Disease Management



Readmission Prevention



Site of Care Management



Optimize Primary Care

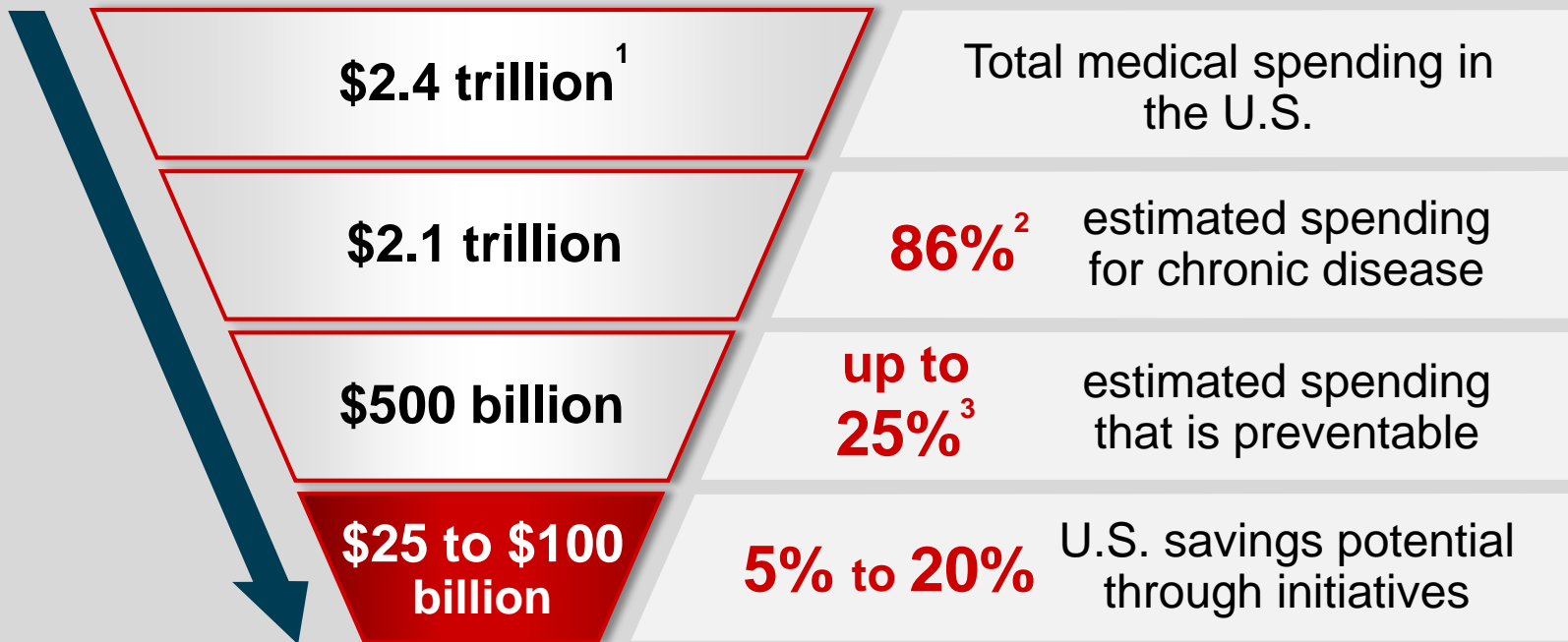


Complex Chronic Disease Management





Potential to Deliver Significant Medical Cost Savings



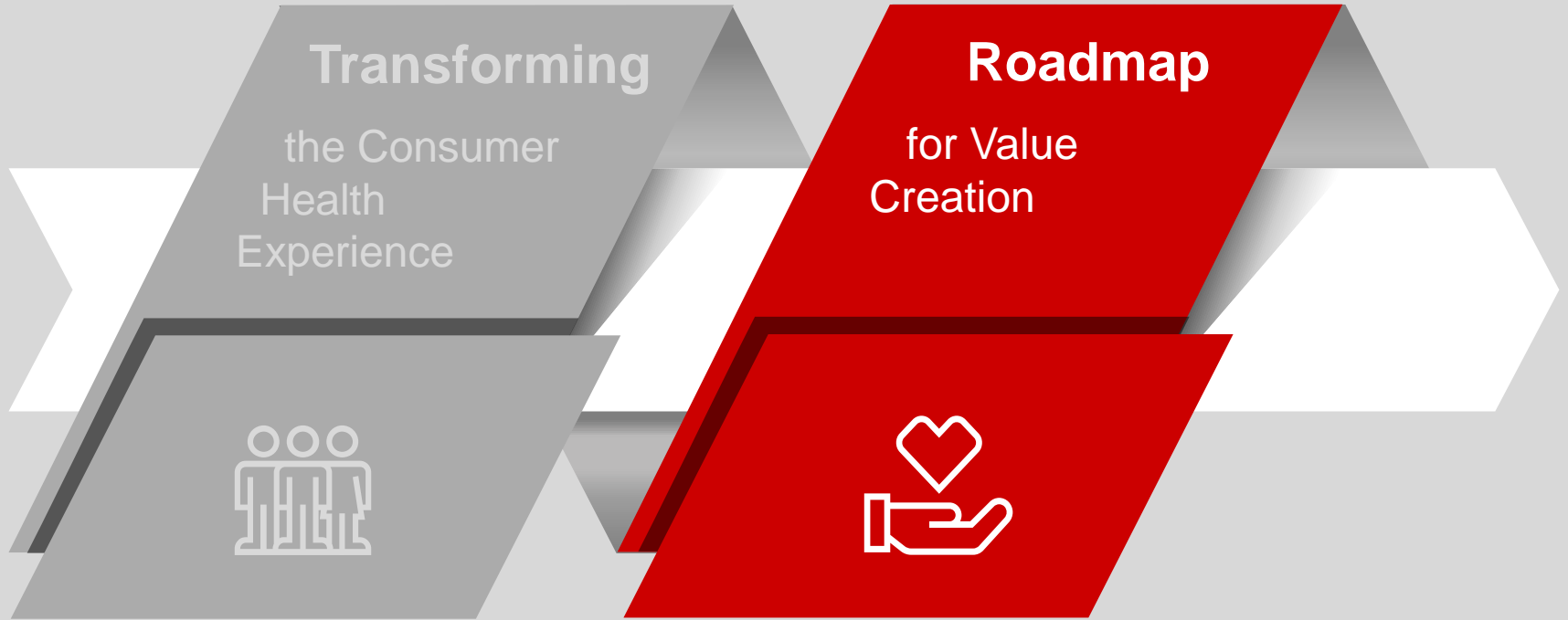
Sources:

1. CMS, National Health Expenditures (figures as of 1/8/2018). Total medical spending equals health consumption expenditures minus retail sales of medical products, including prescriptions, government administration, net cost of health insurance and government public health activities.

2. "Multiple Chronic Conditions Chartbook," Jessie Gerteis et al., AHRQ, 2014.

3. "Targeting High Cost Patients and their Needs," Jha, January 2016.

Agenda





Clear Line of Sight to Deliver More Than \$750 Million of Synergies in Year Two

\$750 Million +



Year Two Synergies

Business Integration

- Plan design
- Specialty / Coram / PBM Operations / Other

General and Administrative

- Vendor contracting
- Streamline corporate functions

Medical Cost Savings

- Improve adherence and close gaps in care for patients with chronic diseases
- Optimize existing programs in readmission prevention
- Site of care management

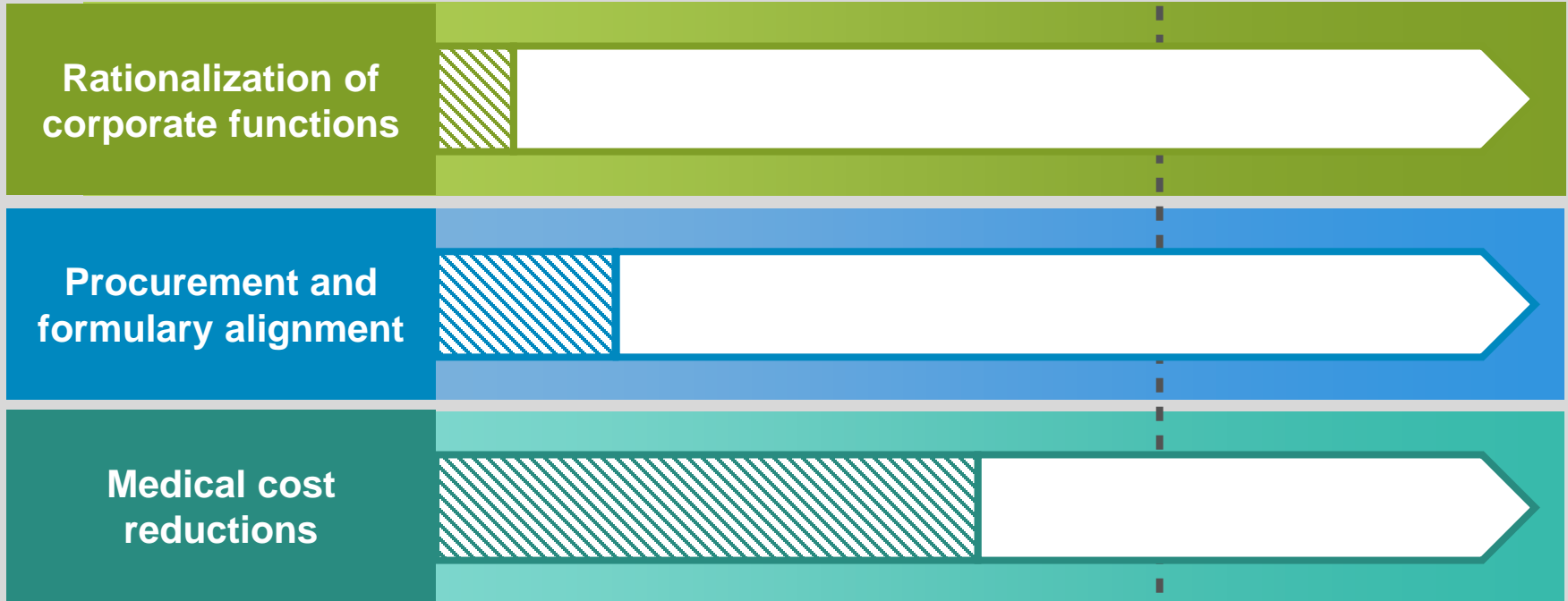
Synergies achievable utilizing existing assets and capabilities



Executing on Our Integration Plans

2019

2020



Executing integration plans



Realizing synergies



Strategic Priorities for Long-Term Value Creation

Creating New Health Care Programs

Simplifying the Patient Journey

Driving Enterprise Growth



**Long-Term
Value
Creation**



Portfolio of Programs to Drive Significant Post-Year Two Medical Cost Savings

Common Chronic Disease Management



Gap closure, adherence and assistance with care management plans to improve health outcomes for chronic patients

Readmission Prevention



Integrate CVS and Aetna clinical programs with our expansive community presence to support patients during and after discharge

Site of Care Management



Increase utilization lower-cost sites of care, including home infusion, where appropriate and prevent unnecessary ER visits

Optimize Primary Care



Expand scope of MinuteClinic services to help with early identification and management of chronic disease

Complex Chronic Disease Initiatives



New oncology product, cardiovascular disease interventions and chronic kidney disease management



Launching Pilot Programs to Build Foundation for Longer-Term Medical Cost Savings

Common Chronic Disease Management



- Provide adherence outreach and counseling to Aetna members at high-risk for adverse health events (launched Q4 2018)
- Deploy specialized enhanced services to support Aetna members with cardiovascular disease (launching Q1 2019)

Readmission Prevention



- Schedule MinuteClinic follow-up within 14 days post-discharge when unable to see provider (piloting Q1 2019)
- Engage with patients post-discharge to educate on care management and mitigate risks of non-adherence, side effects and gaps in care (piloting Q1 2019)



Introducing New Concept Stores to Simplify Patient Journey

Purpose



- New retail health engagement model to bring more services to consumers in a:
 - more convenient,
 - more accessible,
 - more customer-focused manner

Strategy



- Clinical services in-store, including additional screening and nutritional counseling
- Digital tools to support customer progress outside the store
- Curated assortment of front store items

Identify



- Targeting concentrations of Aetna and other health plan membership
- Populations with high prevalence of chronic disease
- Areas lacking sufficient access to primary care physicians

Initial concept stores will focus on chronic disease



Overview of Concept Store Design





Costs Associated With Broader Expansion of Service Offerings Will Be Manageable

Capital Expenditures

- Combined CVS & Aetna pro forma annual capital expenditures of ~ \$2.6 billion

Impact on Front Store

- Potential to allocate up to 20% of space to health care service offerings by scaling back on underperforming categories/products while scaling up new categories

Operating Expenses

- Incremental store personnel expected to support margin-enhancing expanded care navigation and clinical services

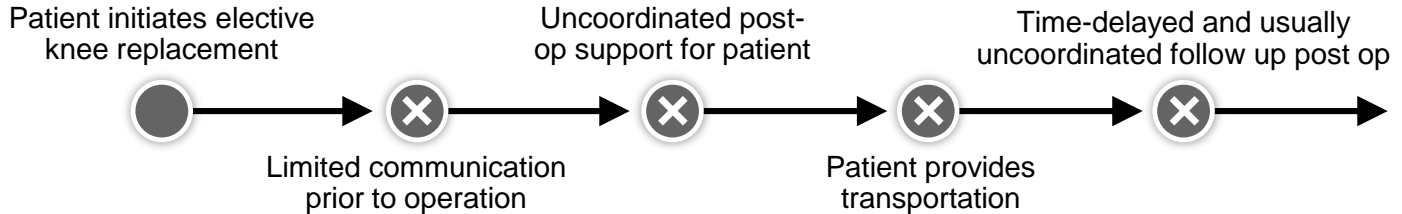
Cost of renovations within existing capital expenditure framework



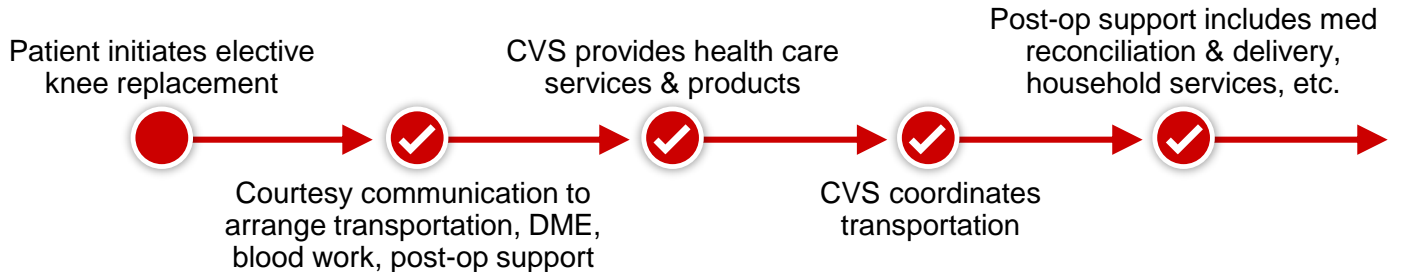
Simplifying the Patient Journey for Joint Replacements



Current journey for joint replacement lacks necessary support



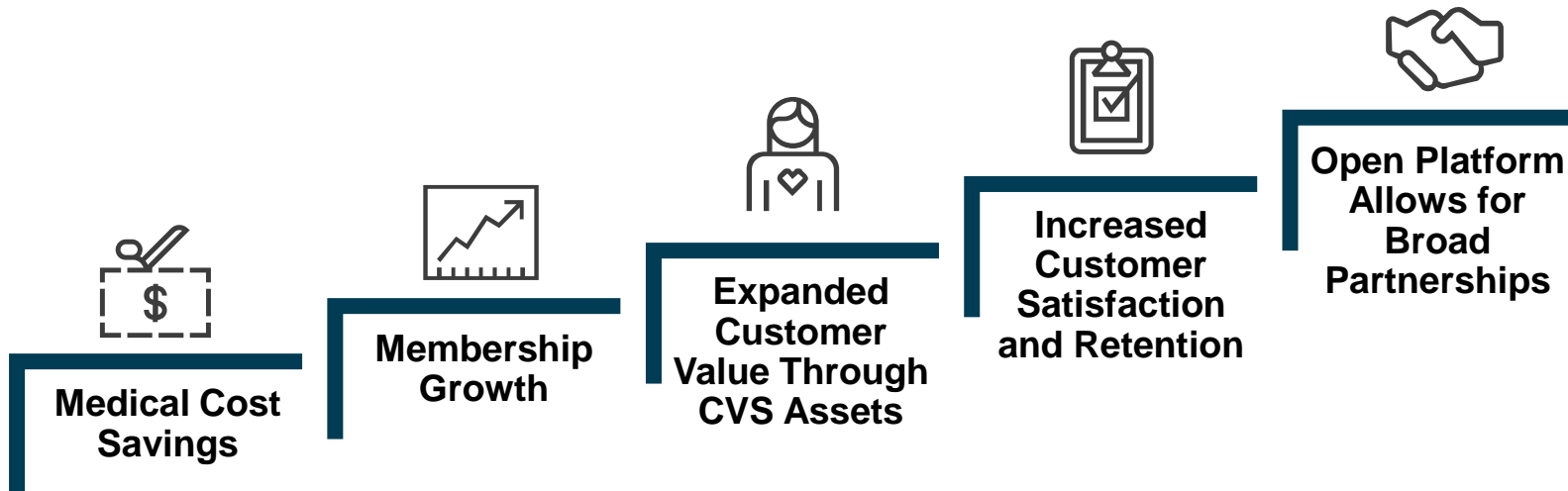
CVS: Providing support along entire patient journey





Multiple Levers of Value Creation to Accelerate Enterprise Growth

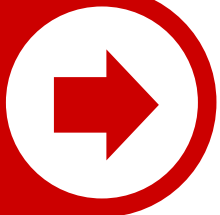
Value Creation Levers



Value creation to deliver top- and bottom-line growth

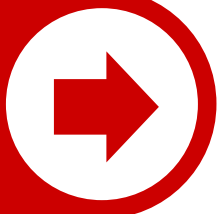
Significant Value Creation for Shareholders

Broadens Health Care Reach



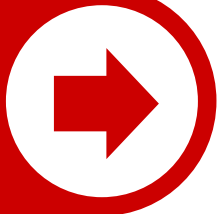
- Continues evolution of CVS Health to play larger role in health care system and better address patient challenges

Near-Term Value Creation



- Clear line of sight to >\$750 million in synergies in year two after transaction closes

Accelerates Long-Term Growth



- Creates platform to introduce higher-margin programs and services aimed at reducing medical costs to grow membership and enhance revenues



Drives Shareholder Value

