CVS Health Ecosystem

CVS Health Corporation
1 CVS Drive
Woonsocket, Rhode Island 02895
Phone: (401) 765-1500; www.cvs.com

Outside Relationships

Regulators

- U.S. Patent and Trademark Office
- Federal and State Drug Enforcement Agencies (Dealer Registration and Security and Operating Standards for Sale, Packaging, and Storage of Controlled Substances)

Subjects of Health Insurance, Privacy, and Business Regulation

- Prohibition of Kick-backs to Physicians and Self-Referrals
- Medicare Supplier Standards, Anti-Fraud and Abuse, False Claims and Billing
- Consumer Protection
- Protection of Patient Identifiable Health and Personal Information
- Unfair Trade Practices and Competition
- Protection of Private Financial Information
- Protection of Retirement Assets and Benefits and Fiduciary Duties
- State Corporate Practice of Medicine, Pharmacy, and Nursing
- State Privacy and Security Regulation
- Workers' Compensation and Fee Schedule Pricing Compliance
- Anti-Bribery
- Commercial Product Pricing (Medical Loss Ratios) and Underwriting Restrictions (Pre-existing Conditions, Children Under 26 Years)
- Oversight of Medicaid Services, Enrollment, Payment, and Provider Network

Capital

- Public Debt Holders
- Commercial Banks
- Federal Home Loan Bank of Boston

Suppliers

Pharmaceutical Suppliers

- McKesson
- Cardinal Health

Consumer Health Care Products Suppliers (7000 CVS Health and Proprietary Brand Products)

- Johnson & Johnson (Over-the-counter Medicines and Baby Powder and Shampoo)
- Pfizer (Over-the-counter Medicines and Skin Creams)
- Procter & Gamble (Beauty, Personal Care, Family, Feminine, Household, and Grooming Products)
- Unilever (Skin Care and Beauty Creams)
- Coca-Cola (Soft Drinks)
- Garnier (Shampoo)
- Revlon (Cosmetics, Skin Care, and Fragrances)
- Kimberly-Clark (Diapers, Feminine, and Toilet Paper)

Customers

Pharmacy Services Clients

- Employers
- Insurance Companies
- Government Employee Groups
- Public Health Insurance Exchanges
- Labor Unions
- Health Plans
- Prescription Drug Plans (PDPs)
- Medicaid Managed Plans
- Medicare Part D Plans
- Plans Offered on Private Health Insurance Exchanges

Pharmacy Benefit Plans

Members of Pharmacy Clients

- Employees
- Dependents
- Retirees
- Patients
- Seniors

Bond Financing

- Public Debt Holders
- Commercial Banks
- Federal Home Loan Bank of Boston

Working Capital Financing

- Commercial Banks

Cash Advances

- Federal Home Loan Bank of Boston

Trademark, Copyright and Patent Registrations

- U.S. Patent and Trademark Office

Regulation of Controlled Substances

- Federal and State Drug Enforcement Agencies

Wholesale Sale of Branded, Generic, Specialty, and Over-the-Counter Drugs

- McKesson
- Cardinal Health

Business Regulation

Over-the-counter Medicine and Consumer Products Supply

- Johnson & Johnson
- Pfizer
- Procter & Gamble
- Unilever
- Coca-Cola
- Garnier
- Revlon
- Kimberly-Clark

Pharmacy Benefit Management Services, Including Plan Administration, Formulary Management, Retail Pharmacy Management, Mail Order Services, and Clinical Services

- Employers
- Insurance Companies
- Government Employee Groups
- Public Health Insurance Exchanges
- Labor Unions
- Health Plans
- Prescription Drug Plans (PDPs)
- Medicaid Managed Plans
- Medicare Part D Plans
- Plans Offered on Private Health Insurance Exchanges

CVS Health Corporation (Delaware Corporation)

Debt Structure

Debt ($69.25 @ 12/31/2019) Credit Ratings: A-(S&P), Baa2 (Moody's)

- Three $2 Billion, 5-Year Unsecured Back-Up Revolving Credit Facilities (Expiring 2022, 2023, 2024)
- $850M Cash Advance Facility
- 7 Series of Notes Due 2021: $5.4 Billion (2.125%-5.45%; Two Series Have Floating Rates)
- 4 Series of Notes Due 2022: $4.149 Billion (2.75%-4.75%)
- 3 Series of Notes Due 2023: $4.05 Billion (2.8%-4.0%)
- 3 Series of Notes Due 2024: $2.699 Billion (3.625% to 5%)
- 30 Series of Notes Due 2024-2048: $49.020 Billion (2.625%-6.75%)

Equity Structure

Equity

- 2014 and 2016 Share Repurchase Programs: *$10 and $15 Billion Authorization, Respectively*
- Common Stock: *1.301 Billion Shares Outstanding*

Governance

Board of Directors

- David W. Dorman
- Fernando Aguirre (A, N)
- C. David Brown II (M, N)
- Alecia A. Decoudreaux (A, MA)
- Nancy-Ann M. Deparle (M, N)
- David W. Dorman (M, N)
- Roger N. Farah (M, MA)
- Anne M. Finucane (I, M)
- Edward J. Ludwig (A, I)
- Jean-Pierre Million (A, MA)
- Mary L. Schapiro (A, I)
- Tony L. White (M, MA)
- William C. Weldon (M, N)

Committees: Audit (A); Investment and Finance (I); Management Planning and Development (M); Medical Affairs (MA); and Nominating and Corporate Governance (N\')

Management Team

- President and CEO: Larry J. Merlo (Karen Lynch Commencing February 1, 2021)
- Executive Vice President & President, Aetna Business Unit: Karen S. Lynch
- Executive Vice President & Transformation: Jonathan Mayhew
- Executive Vice President & Chief Operating Officer: Jonathan C. Roberts
- Executive Vice President, Chief Policy & External Affairs Officer, and General Counsel: Thomas M. Moriarty
- Executive Vice President & Chief Medical Officer: Troyen Brennan
- Executive Vice President & CFO: Eva Boratto
- Executive Vice President & President of CVS Caremark: Alan M. Lotvin
- Executive Vice President & Chief Human Resource Officer: Lisa Bisaccia
- Executive Vice President, Enterprise Strategy & Digital: Joshua M. Flum

Corporate Matters

Medical

- Clinical Affairs
- Medical Affairs
- Health Care Strategy

Strategy and Digital

- Enterprise Strategy
- Strategic Prioritization and Business Integration
- Growth Acceleration Through Partnerships, Investments, and Acquisitions
- Digital Roadmap
- Consumer Experience

Finance and Accounting

- Mergers and Acquisitions
- Internal Audit
- Accounting
- Treasury and Capital Planning
- Financial Reporting
- Tax
- Risk Management
- Budgeting and Planning
- Investor Relations
- Investments
- Procurement

Operations

- CVS Pharmacy
- MinuteClinic
- Omnicare
- Information Technology

Human Resources

- HR Enterprise Leadership
- Employee Engagement and Experience
- Compensation and Benefits
- Talent Management
- Leadership Development

Policy, External Affairs and Legal

- Policy
- Government and Public Affairs
- Corporate Communications
- Legal
- Regulatory

Transformation

- Business Transformation Initiatives for Growth
- Innovation
- Business Metrics

Operations

2020 Revenue: $268.7 Billion

Pharmacy Services: Pharmacy Benefits Management (Revenue: $141.9 Billion)

Plan Design and Administration

- Pharmacy Benefit Plan Design (to Use Lower Cost, Clinically Appropriate Drugs)
- Pharmacy Benefit Plan Administration (Facilitates Prescription Drug Coverage and Claims Processing)

Retail Pharmacy Network Management

- Proprietary Electronic Management System for Network Members to Verify Customer Data and Eligibility, Drug Appropriateness and Safety, and Payment Confirmation
- Network Comprises 66,000 Retail Pharmacies, Including 40,000 Chain/CVS Pharmacies and 26,000 Independent Pharmacies

Clinical Services

- Clinical Programs to Manage Appropriate Use of Medication, Including Counselling, Dosage Limitations (e.g., Opioids), Pharmacy Advisor® Program for Consultations with Pharmacists

Disease Management Programs

- Utilization Disease Management Program for Diseases Including Rheumatoid Arthritis, Parkinson's, Seizure Disorders, and Multiple Sclerosis (Accredited by NCQA)

Medical Benefit Management

- NovoLogix® Online Preauthorization Tool to Identify and Capture Cost Savings and Ensure Clinically Appropriate Use of Specialty Drugs

Formulary Management

- CVS Caremark National Pharmacy and Therapeutics Committee Reviews and Approves Selection of Drugs that May Be Prescribed under Benefit Plans
- Medical Doctors
- Pharmacists
- Medical Experts

Mail Order Pharmacy Services

- Mail Service Pharmacy for Prescription Refills (Accredited by URAC)

Specialty Pharmacy and Infusion Services

- Specialty Drugs and Infusion and Enteral Nutrition Services
- Pharmacy for Chronic and Genetic Diseases (Accredited by URAC)
- Delivered by Mail Order or Retail Specialty Pharmacies

Competitors

- OptumRx (a UnitedHealth Company)
- Humana
- Express Scripts (a Cigna Company)
- Prime Therapeutics
- PillPack
- MedImpact

Retail Stores (and On-Site Pharmacies) and Long-Term Care Pharmacy Operations (Revenue: $91.2 Billion)

Pharmacy (9,900 Locations: 76.9% of Segment Revenues)

- Branded, Generic, and Specialty Prescription Drugs
- Immunizations and Vaccinations
- Medication Management Services
- On-line Retail Pharmacy Websites

Front Store (23.1% of Segment Revenues)

- Extracare
  - Retail Loyalty Program
  - Extrabucks® Rewards
  - Carepass® Program
  - Subscription Membership
- Products
  - Baby and Child
  - Beauty
  - Diet and Nutrition
  - Grocery
  - Photo
  - Home Healthcare
  - Household
  - Health & Medicine
  - Personal Care
  - Vitamins

MinuteClinic (1,100 Locations)

- Provides Convenient, High Quality, Cost-Effective Care for Basic Medical Needs, Including:
  - Contraception
  - Flu Shots
  - Vaccinations
  - Sports and Employment Physical Exams
- 92% of Clinic Revenue Paid by:
  - Employers
  - Health Insurers
  - Third Parties
- Services Provided by Nurse Practitioners and Physician Assistants

Long-Term Care Pharmacy Operations (via Omnicare ®)

- Provides Pharmacy Consulting (Including Monthly Patient Drug Therapy Evaluations) to Assist Independent Living Facilities Comply with State and Federal Regulations
- Clinical and Health Management Programs
- Pharmaceutical Case Management Services for Retirees, Employees, and Their Dependents

Onsite Pharmacies

- Pharmacies on Certain Client Premises for Filling Prescriptions

Competitors

- RiteAid
- Walgreens
- Wal-Mart

Health Care Benefits (formerly Aetna Insurance) (Revenue: $75.5 Billion)

Commercial Medical

Plans Offered:

- Health Maintenance Organization (HMO)
- Preferred Provider Organization (PPO)
- Point-of-Service (POS)
- Indemnity
- Health Savings Accounts (HSA)
- Medical Stop Loss Insurance Coverage (for Employers Who Self-Insure)
- Consumer-Directed Health Plans Combining Traditional POS or PPO and/or Dental Coverage (with an Accumulating Benefit Account)

Specialty

- Dental Plans
- Behavioral Health and Employee Assistance Products
- Workers' Compensation Administrative Services
- Provider Network Access

Transformative Products and Services

- HealthHUB (Holistic, Integrated Managed Care Located in CVS Stores)

Government Medical (for Seniors and Low-Income Families)

- Medicare Advantage
  - HMO and/or PPO Plans Offered to Seniors and Disabled in 45 States and Washington, D.C. (an Enhanced Alternative to Traditional Fee-for-Service Medicare Coverage)
  - Reduces Cost-Sharing for Preventative Care, Vision, and Other Services
- Medicare Supplement
  - Coverage for Certain Costs Not Covered by Original Medicare (a Supplement to Cover Gaps in Traditional Fee-for-Service Medicare Coverage ("Medigap"))
  - Provides Coverage for Medicare Deductibles and Co-Insurance Amounts
- Medicare Prescription Drug Plan (PDP)
  - National Provider of Medicare Part D Drug Benefits
  - Available to All Eligible Medicare Members
  - Optional/Voluntary Participation with Cost-Sharing (Deductible, Co-Pays, or Co-Insurance)
- Medicaid and Children's Health Insurance Programs (CHIP)
  - Plans Offered to State Government Agencies for Coverage of Low-Income Families and Individuals (Medicaid) and Children with Parents Who Do Not Qualify for Medicaid (CHIP)
- Duals
  - Health Coverage for Individuals Dually Eligible For Medicare And Medicaid
  - CVS Coordinates 100% of Dual Members' Health Care

Resources and Key Features

Information Technology Systems

Information Technology Platforms:

- Member Engagement
- Care Management
- Service Operations
- Financial Reporting And Analytics
- Enrollment
- Health Benefit Administration

Provider Networks

- 1.3 Million Participating Providers, including 706,000 Primary Care and Specialist Physicians and 5,900 Hospitals
- Other Providers: Laboratory, Imaging, Urgent Care, and Other Freestanding Health Facilities

Competitors

- Anthem
- Humana
- Cigna
- UnitedHealth
- Blue Cross Blue Shield

Pricing

- Premiums Paid to CVS by Employers or Government Programs Take into Account Membership Demographics and Health Risk Factors of the Members/Beneficiaries
- Medicare Contracts Generate Higher per Member / per Month Revenues and Higher Health Care and Other Benefit Costs
- Commercial Insured Plans Have a Fixed Premium Rate at the Beginning of the Policy Period and These Contracts Typically Last One Year

Quality Assessment

- 5-Star Rating System to Monitor Medicare Plans, Considering the Quality of Preventative Services, Chronic Illness Management, and Overall Customer Satisfaction

Provider Quality Assurance:

- Practitioner License And Education Verification
- Work History Review

Dispensing of Prescription Drugs

Long Term Care Pharmacy Customers

- Independent Living Communities
- Assisted Living Facilities
- Hospitals
- Correctional Facilities
- Skilled Nursing Facilities
- Retirees
- Employees

Business Regulation

Subjects of Regulation of Pharmacy Consulting and Retail Health Clinics

- State Pharmacy and Professional Licensure
- Telemarketing
- Anti-Money Laundering
- Environmental Protection

Regulation of Pharmacy Consulting Services and Retail Medical Clinics

- Audits of Government Contracts
- Clinical Services

Retail Sales of Health, Cleaning, and Beauty Products, Packaged Goods and Beverages

- Individuals

Long-Term Pharmacy, including Pharmacy Consulting and Monthly Patient Drug Therapy Evaluations

- Third Party Administration and State Licensure
- Prohibition on Transactions with Specially Designated Persons (Terrorists, Drug Traffickers, Sanctioned Nations and Individuals)
- Compounding Pharmacy and Clinical Research, Sale and Labeling of Medical Devices and Prescription Drugs
- Limitation on Access to CVS's Pharmacy Network
- Generic Prescription Drug Pricing
- Formulary and Plan Design

Outside Relationships

Customers

- Employees, Seniors, and Low-Income Individuals
- Employee- and Government-Sponsored Medical Insurance Coverage

Customers

- Commercial Medical
  - Employers
- Government Medical
  - Individuals
  - Centers for Medicare & Medicaid (CMS)
  - State Governements
  - Specialty and Transformative Products and Services
  - Commercial
  - Governments
  - Insurers and Third Party Administrators (Workers' Compensation)

Suppliers

Professional Services Firms

- Ernst & Young (Audit Services)
- Zuckerman Spaeder (Pharmacy Litigation)
- UM (IPG Mediabrands) (Advertising)

- Medical Care Service Providers (Hospitals and Physicians)
- Medical Care Services

Capital

Significant Shareholders

- The Vanguard Group 7.61%
- BlackRock Fund Advisors 4.38%
- SSgA Funds Management 4.32%
- Capital Research and Management Co. 2.53%
- Geode Capital Management 1.51%
- Institutional Ownership: 77.76%

Regulators

Securities Regulators

- US Securities and Exchange Commission
- New York Stock Exchange

Health Care Insurance Regulations

- Product Design and Administration and Sales Practices
- Federal and State Reporting
- Guaranty Fund Assessments and Solvency Protection
- State Insurance, HMO and Insurance Holding Company Regulation
- State Workers' Compensation Laws
- Commercial Products Pricing and Underwriting Restrictions
- Medicaid Regulation
- Department of Health and Human Services (Centers for Medicare and Medicaid Services)

Securities Regulation and NYSE Listing Rules

Common Stock Repurchases

Equity Capital

Medical Cost Payments on Behalf of Insured Patients

Sales of Commercial Medical Health Insurance Plans

Commercial Medical Health Insurance Premiums

Annual or Multi-Year Contracts

Sales of Government Medical Health Insurance Plans

Government Medical Health Insurance Premiums

Behavioral Health and Employee Assistance Products, Worker's Compensation Administrative Services, and Dental Plans

Specialty and Transformative Products and Services Fees

Reinsurance for Catastrophic Losses

- Reinsurance Companies

Health Benefit Insurance Regulation

Acronyms

- HMO: Health Maintenance Organization
- POS: Point-of-Service
- PPO: Preferred Provider Organization
- HSA: Health Savings Account
- NCQA: National Committee for Quality Assurance
- URAC: Utilization Review Accreditation Commission
- CHIP: Medicaid and Children's Health Insurance Programs
- PDP: Prescription Drug Plan

Key Company Data (as of 02/16/2021)

Share Information

- Ticker Symbol: CVS
- Share Price (02/12/21): $74.21
- Forward Annual Dividend: $2.00
- Earnings Per Share: $5.47 (Diluted) $7.50 (Trailing 12 Months as of 2/15/21)

Financial Highlights

- Total Revenue: $268.706 Billion
- Operating Income: $13.911 Billion
- Net Income: $7.192 Billion
- Cash Flows from Operations: $15.865 Billion

Resources

- Employees: 300,000
- Total Assets: $230.72 Billion
- Health Care Benefits Services Segment (Aetna) Had 23 Million Members in 2020
- 1.465 Billion Prescriptions Filled

Recent Developments

- In response to the COVID-19 pandemic, CVS is operating over drive-thru testing and on-site vaccinations. So far, CVS has administered 15M COVID tests and 3M vaccines
- CVS Health has eliminated tobacco products sales in all CVS stores.
- CVS is working with over 40,000 Long Term Care Facilities to Administer COVID-19 Vaccine Doses. Currently, they are on-pace to have the second-dose administered at all these locations by the middle of March 2021.

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