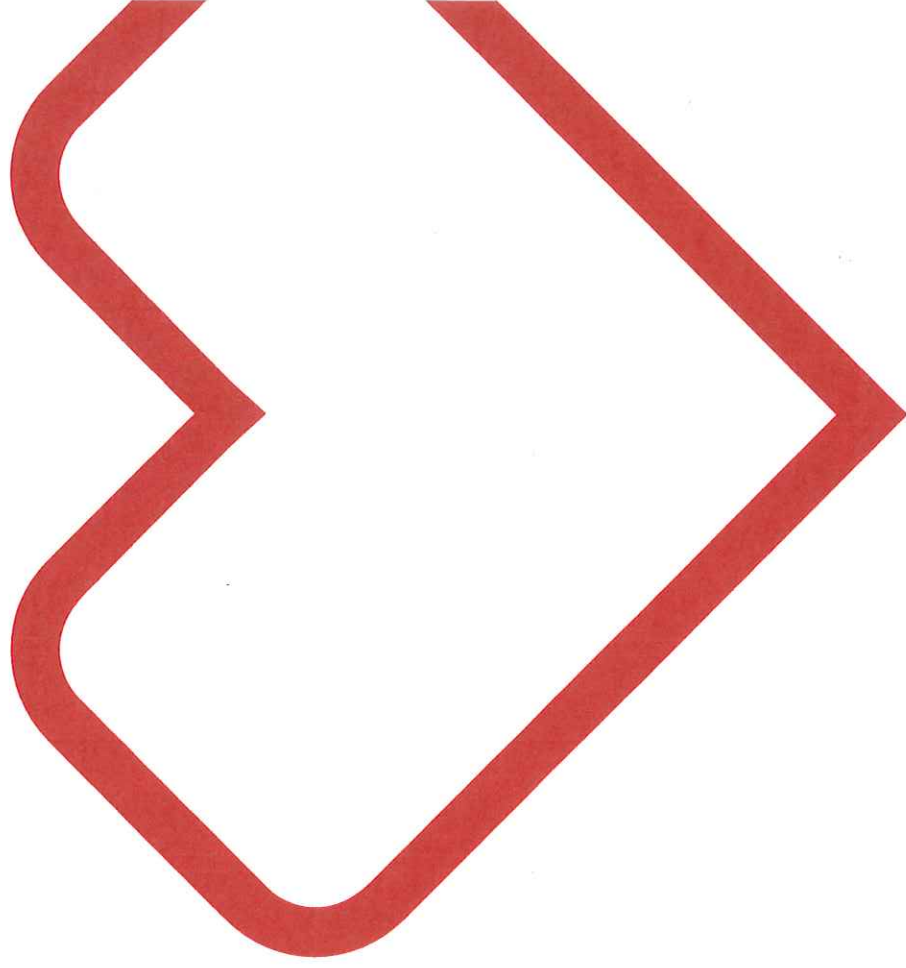


Understanding the Role and Value of Pharmacy Benefit Managers

Jonathan Shaw
Vice President, Product
Innovation & Development

March 14, 2017





Who are a PBM's Key Constituents?

OUR DIRECT CLIENTS:

- Private sector employers: national, regional, local
- Public sector entities:
 - Federal Employees Health Benefits Plan (FEHBP)
 - Medicare Prescription Drug Plans (PDPs)
 - State, county, municipal governments, school systems, public universities
 - State Medicaid plans (primarily managed care)
- Health Plans/Insurers: national, regional, local
- Union trusts / Taft-Hartley plans (ERISA-exempt)

DOWNSTREAM PATIENTS

- Our client's members:
 - Employees
 - Retirees
 - Government beneficiaries

Currently more than 253M Americans receive pharmacy benefits provided through a PBM



How Does a PBM Help its Constituents?

ADMINISTER PHARMACY BENEFITS

- Process pharmacy claims
- Set up and administer clients' copays for members
- Manage pharmacy networks

HELP REDUCE COSTS

- Use scale to **negotiate competitive drug prices**
- Promote use of lower cost medications, like generics, when appropriate
- Avoid and reduce inappropriate medication use

IMPROVE PATIENT CARE

- Help patients start and stay on medications
- Help ensure safety and prevent abuse
- Provide tools to help patients manage their care

PBMs save plan sponsors and consumers an average 35% compared to expenditures made without pharmacy benefit management¹

1. Source: Visante, "Pharmacy Benefit Managers (PBMs): Generating Savings for Plan Sponsors and Consumers," September, 2011

How Does a PBM Help its Constituents: Reducing Costs

ADMINISTER PHARMACY BENEFITS

- Process pharmacy claims
- Set up and administer clients' copays for members
- Manage pharmacy networks

HELP REDUCE COSTS

- Use scale to **negotiate competitive drug prices**
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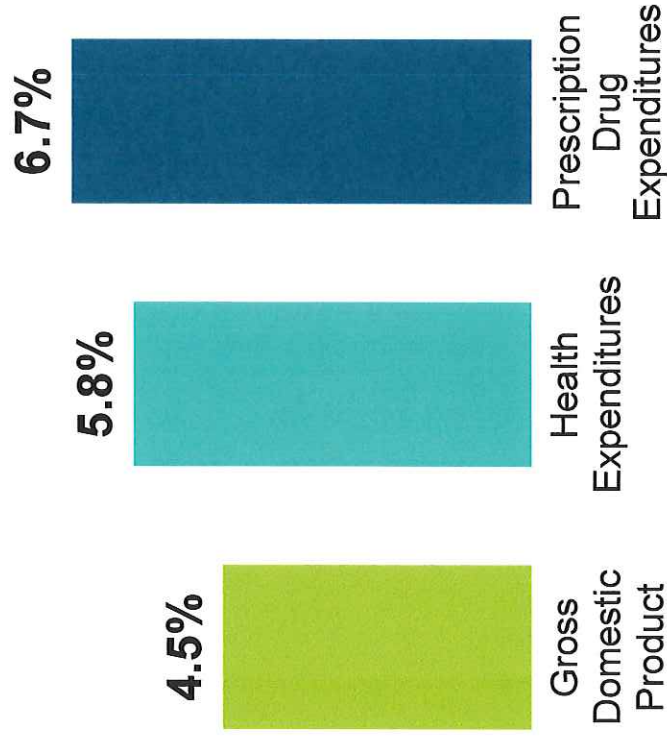
PBMs save plan sponsors and consumers an average 35% compared to expenditures made without pharmacy benefit management¹

1. Source: Visante, "Pharmacy Benefit Managers (PBMs): Generating Savings for Plan Sponsors and Consumers," September, 2011



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

ANNUAL GROWTH RATE (%, 2015-2025)



DRIVERS OF TREND

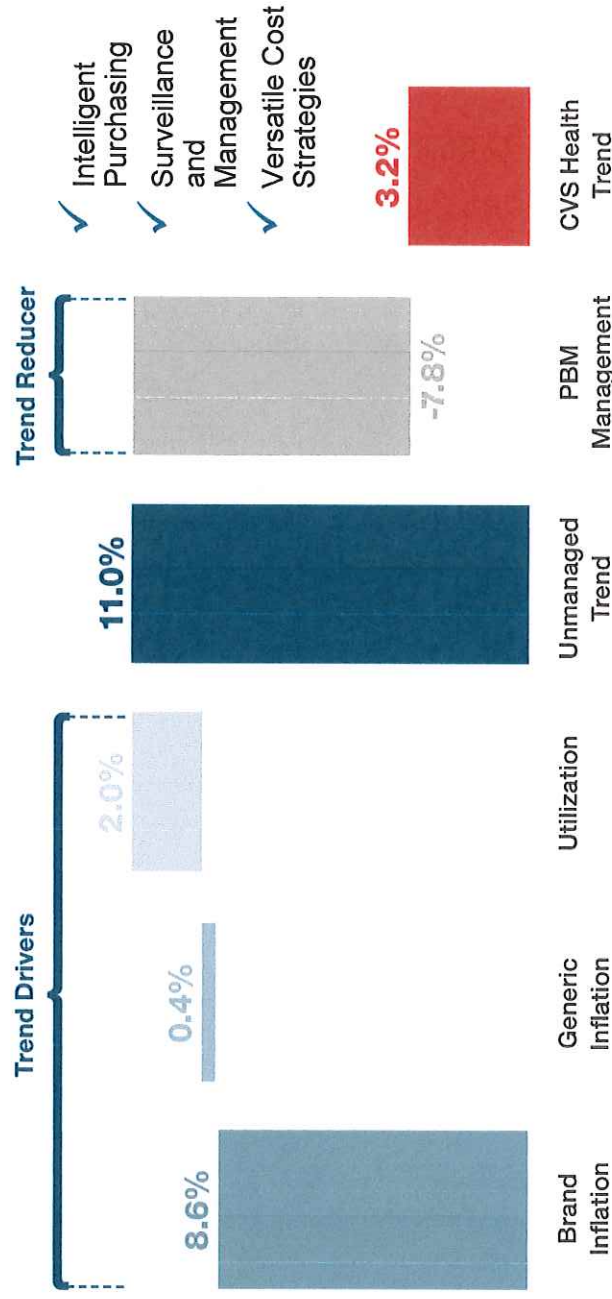
- Increasing prices
 - Brand-name drug price inflation
 - Higher cost for innovative drugs
- Increased utilization
 - Robust pipeline
 - Expanding indications
 - Aging population

GDP (Gross domestic product). Source: CMS, National Health Expenditure Projections (figures as of July 14, 2016).

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Despite Market Forces, We Continue to Help Our Clients Cut Trend

TREND SUMMARY - COMMERCIAL CLIENTS 2016



PBM solutions reduced trend by 7.8 percentage points

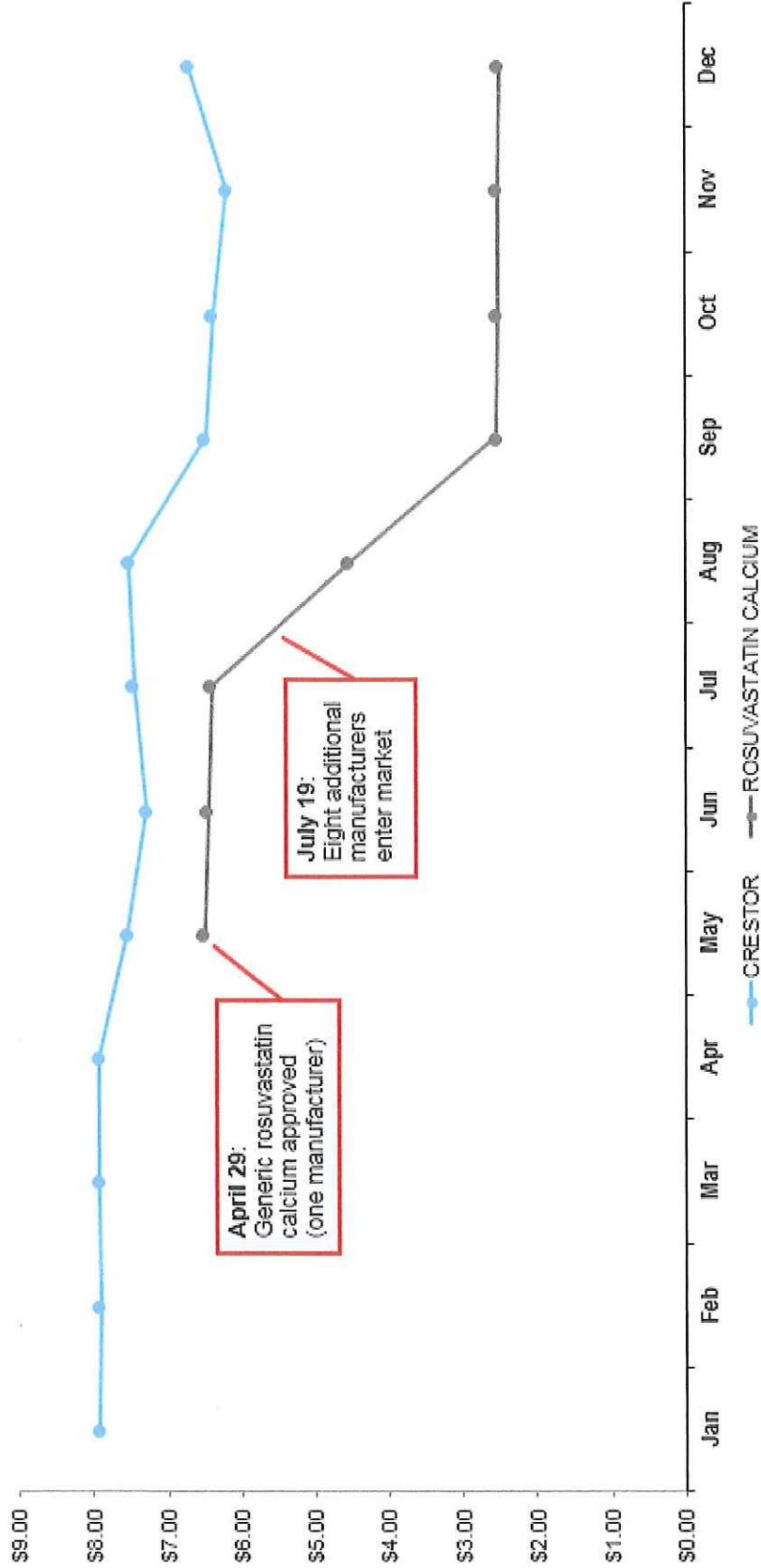
Source: CVS Health Enterprise Analytics, 2017.

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Generic Competition: Crestor Example

2016 - CRESTOR AND ROSUVASTATIN COST PER DAY



Provisions in the Drug Price Competition and Patent Term Restoration Act of 1984 (Hatch-Waxman Amendments) govern the generic drug approval process and may grant 180 days of marketing exclusivity to certain generic drug applicants. Certain aspects of the approval process may hasten the availability of market competition. The example provided above should not be used to demonstrate how quickly additional competition may come to market, merely the impact on price of such competition.

Source: <https://www.drugs.com/availability/generic-crestor.html>

Cost per day reflects client specific data and does not represent averages across the CVS/Scaremark Book of Business.

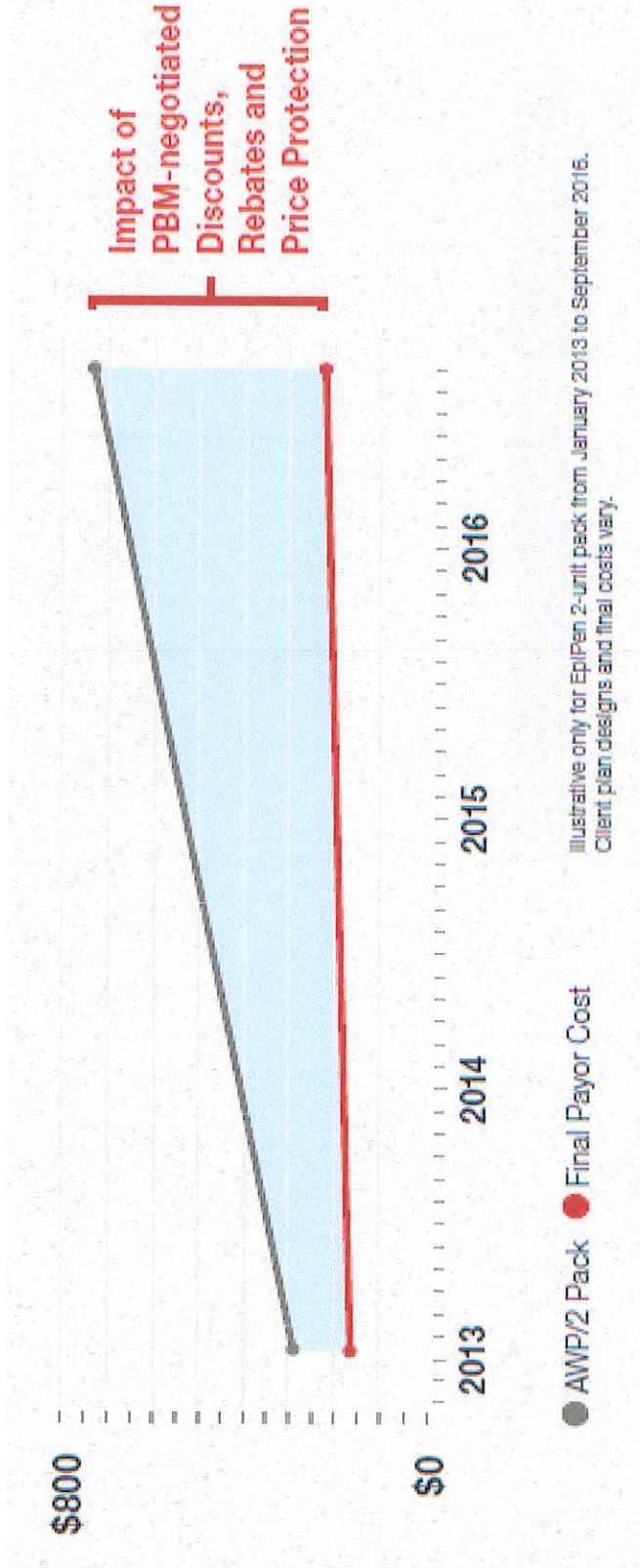
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Branded Competition: EpiPen Example

While List Price Increased 150%, We've Kept Clients' Cost Growth to Less than 10% a Year*

OUR CLIENTS' COST FOR EPIPEN**



*Illustrative only for EpiPen 20unit pack. Client plan designs and final costs vary.

**CVS Health Enterprise Analytics, 2016. This slide contains references to brand-name prescription drugs that are trademarks or registered trademarks of pharmaceutical manufacturers not affiliated with CVS Health.

Our Guiding Principles of Formulary Management

Maintain
Clinical
Integrity

Secure
Competitive Pricing
for Our Clients

Educate and
Engage Members
and Physicians

Target classes with sufficient generic availability, clinically interchangeable brands; evaluate appropriate specialty classes

Continually assess marketplace to identify lower-cost options, including indication-based opportunities, to help maximize manufacturer rebate values

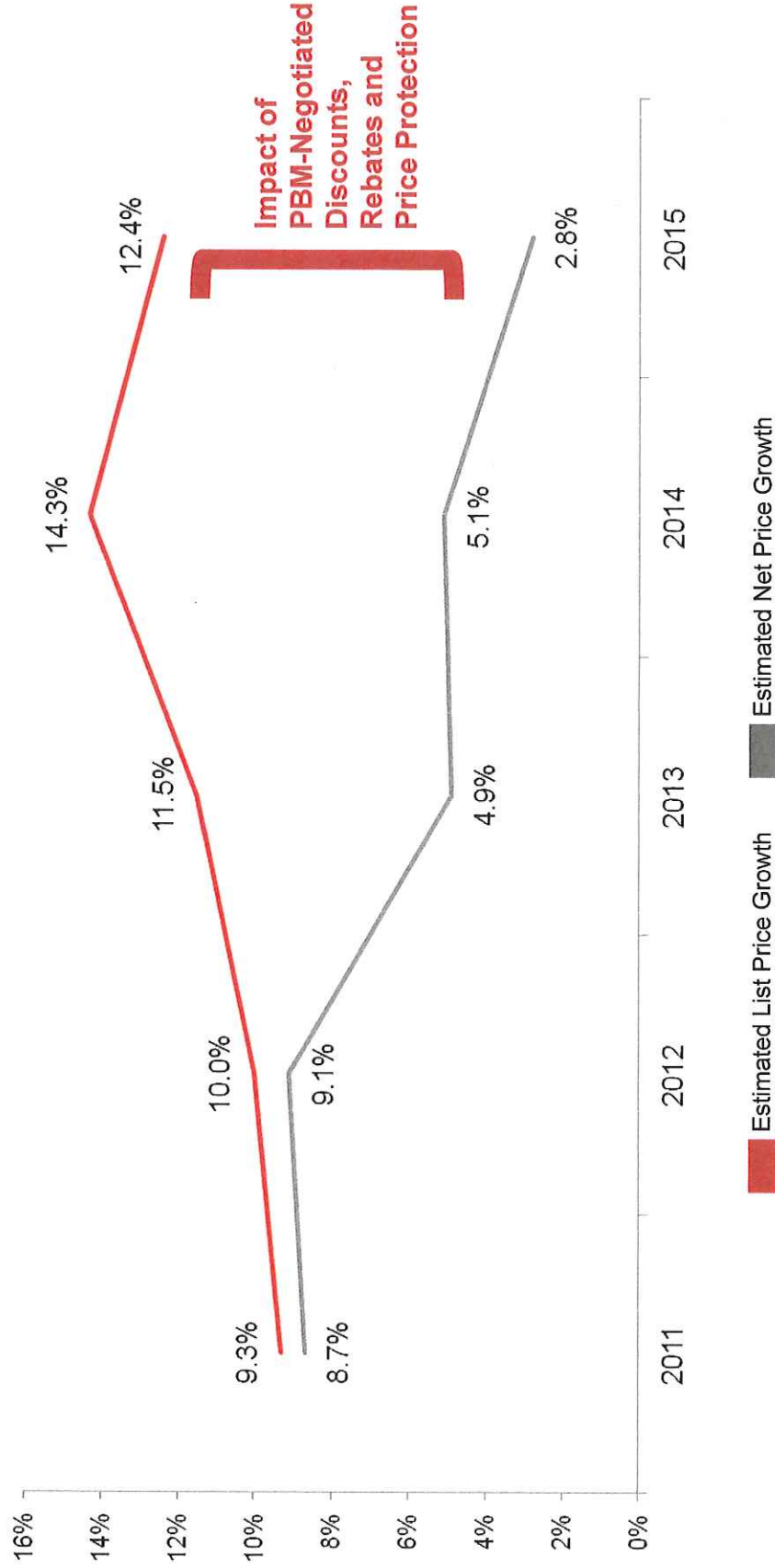
Help ensure access to the drugs members need to stay healthy; provide resources for physicians to support member transition

\$19.44 member savings per transitioned prescription*

*Indicates an average savings based on cohort results. Actual savings may vary per plan. Contact your CVS Caremark® Account Team for a personalized savings analysis.

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Net Price Growth is Dropping Due to Efforts of PBMs to Achieve Lower Net Costs for Clients



Source: IMS Health, National Sales Perspectives, IMS Institute for Healthcare Informatics, March 2016

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Looking Forward: Taking Additional Action on Behalf of our Clients & Members

CVS Health is taking a stand

against egregious price increases that unnecessarily add costs to clients and their members

Hyperinflation Management Program

Effective January 1, 2017:

For clients aligned with our Value Formulary, Advanced Control Formulary or Standard Formulary with removals, the **Hyperinflation Management program will be incorporated in their formularies**

For clients not aligned to one of our formularies with removals, **Hyperinflation Management will be available as an opt-in program**

On a quarterly basis, hyperinflationary drugs may be evaluated and potentially removed.



How Does a PBM Help its Constituents: Improving Patient Care

ADMINISTER PHARMACY BENEFITS

- Process pharmacy claims
- Set up and administer clients' copays for members
- Manage pharmacy networks

HELP REDUCE COSTS

- Use scale to **negotiate competitive drug prices**
- Promote use of lower cost medications, like generics, when appropriate
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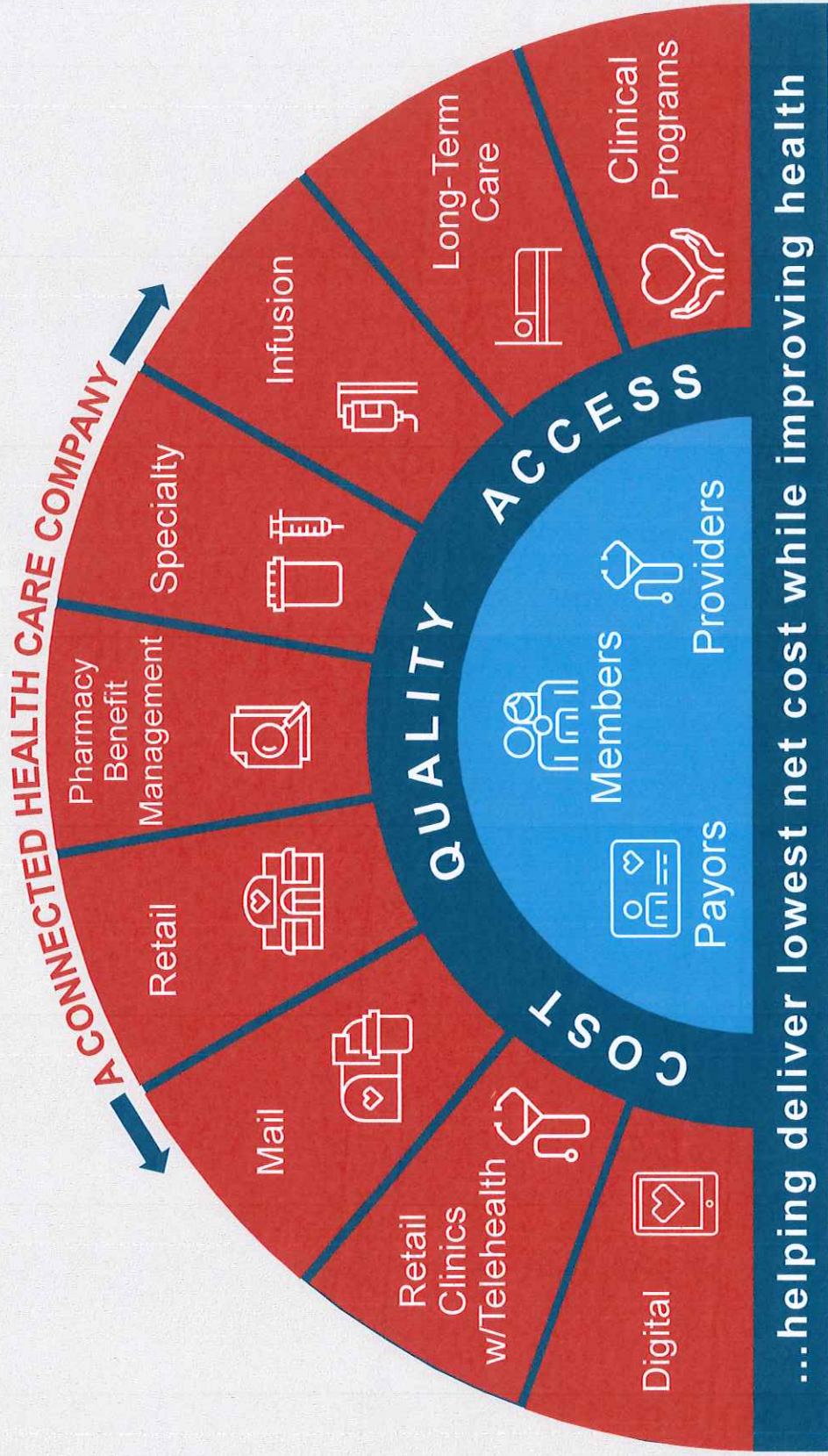
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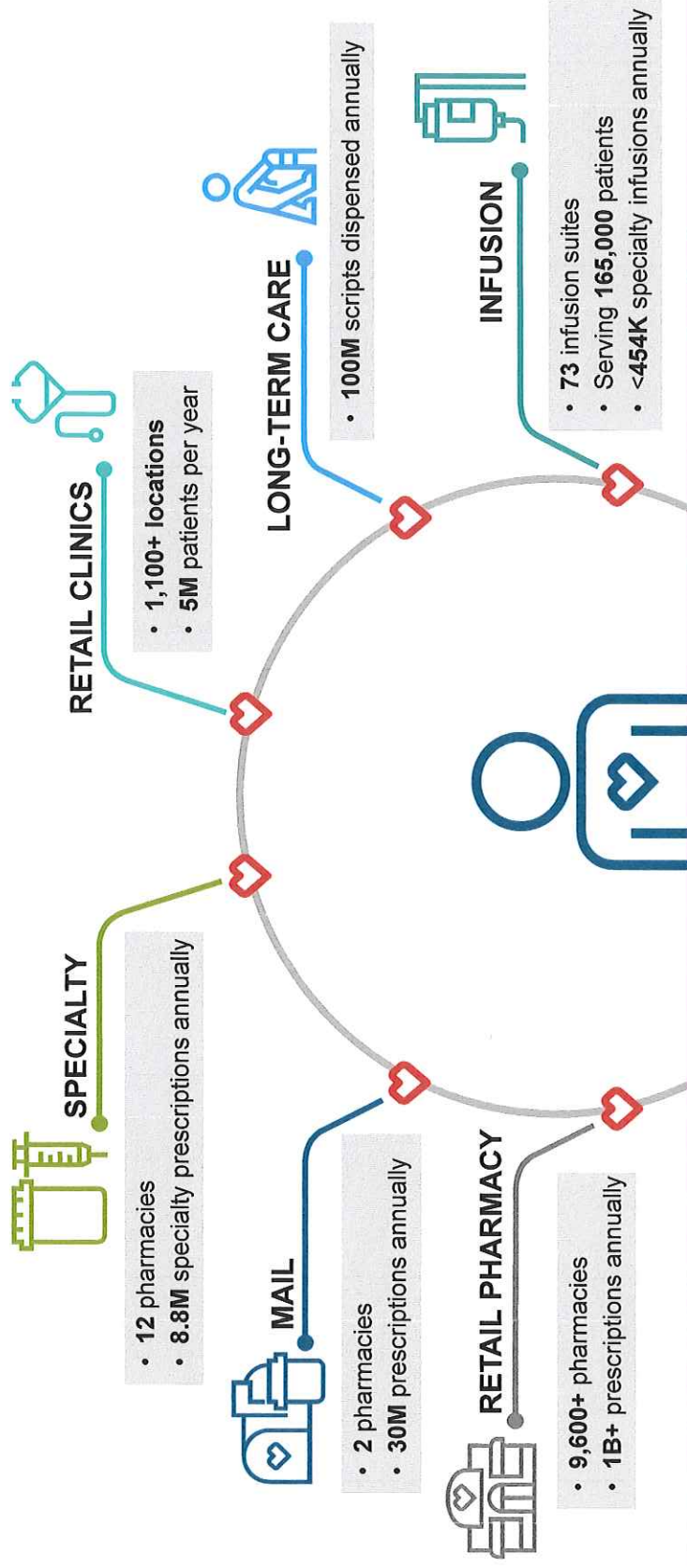
PBMs save plan sponsors and consumers an average 35% compared to expenditures made without pharmacy benefit management¹

1. Source: Visante, "Pharmacy Benefit Managers (PBMs): Generating Savings for Plan Sponsors and Consumers," September, 2011

CVSHealth: More Than a PBM



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



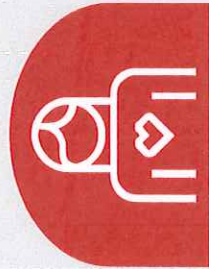
No matter the road, we can help shape behavior and drive outcomes

Source: CVS Health Book of Business data, 2016.

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Our Unique Model and Capabilities Deliver Better Clinical Results



| WELLNESS & PREVENTIVE CARE | ADHERENCE SUPPORT | ADDRESSING GAPS IN CARE | SPECIALTY PATIENT SUPPORT | TRANSITIONS IN CARE | DIGITAL ADHERENCE TOOLS |
|--|--|--|--|---|---|
| 34% Higher vaccination rate with HealthTag® ¹ | 9.9% Adherence increase with Pharmacy Advisor ² | 7.5% Reduction in gaps in care with pharmacist counseling ³ | 23% Fewer hospitalizations with embedded rare disease nurse ³ | 48% Reduction in hospital readmissions ⁴ | \$2.3M Annual medical cost avoidance ⁵ |

Utilizing predictive analytics to deliver the optimal intervention at the right time, and through the most effective channel for every member.

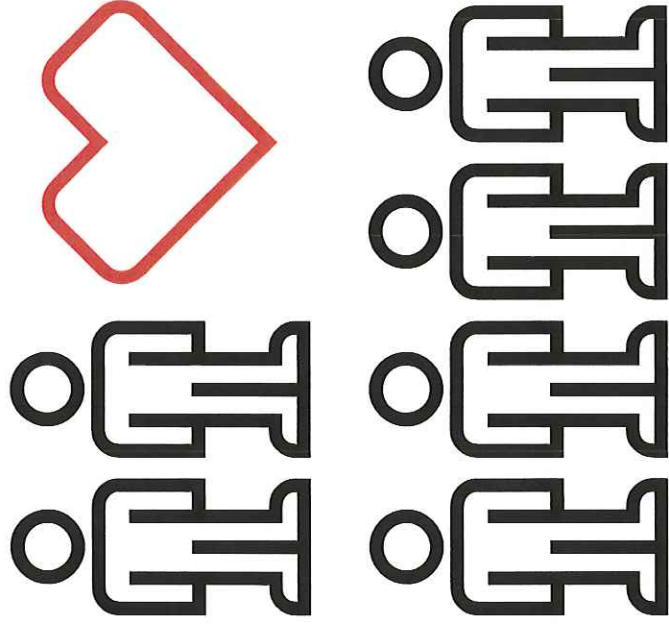
1. CVS Health internal data analysis, 2015. 2. Increase based on oral diabetes medications. CVS Caremark Enterprise Analytics 2012-2013; Results are based on PBM client member populations. Results may differ depending on the specific line of business and for non-PBM member populations. 3. CVS Health internal data analysis, 2013 data. 4. CVS Health internal data analysis, 2014 data. 5. CVS Health Enterprise Research and Analytic Development, July 2015. Actual results may vary based on factors such as programs adopted by the plan. Client-specific modeling available upon request.

Example of a PBM's Impact – Treating High Cholesterol

More than 73M adults in United States have high LDL or “bad” cholesterol¹

One third with high cholesterol have it under control; **less than half** get treatment¹

After hospitalization for heart disease, high-intensity statin therapy is **underutilized**³



2X higher risk of heart disease with high total cholesterol¹

Heart disease is the **leading cause of death** in the U.S.¹

\$109B each year spent on coronary heart disease in the U.S.²

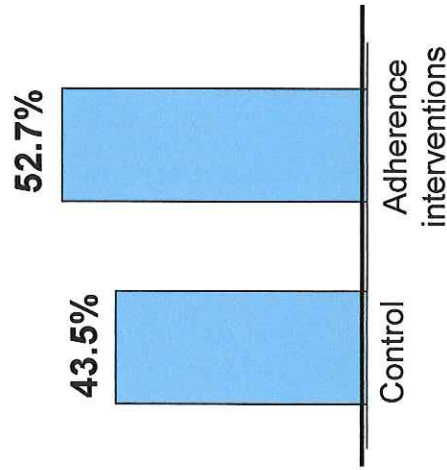
LDL (Low-density lipoprotein). 1. <http://www.cdc.gov/cholesterol/facts.htm>, accessed July 21, 2015. 2. <http://www.cdc.gov/heartdisease/facts.htm>, accessed March 16, 2015. 3. <http://content.onlinejacc.org/article.aspx?articleID=2090113>, accessed May 8, 2015.



Investing in Adherence Can Lead to Significant Cost Savings: Statin Example

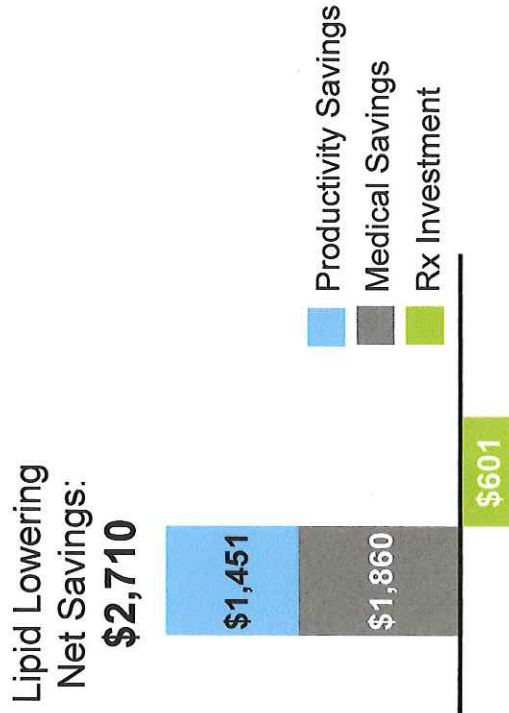
PHARMACIST COUNSELING HELPED IMPROVE STATIN ADHERENCE

Percent of Patients Who Moved to Optimal Adherence for Statin Medications¹



OPTIMALLY ADHERENT PATIENTS HAVE LOWER TOTAL COSTS

PMPY Medical and Productivity Savings from adherence investment²



1. CVS/caremark Enterprise Analytics 2012-2013; Evaluating the Impact of Pharmacy Advisor on Adherence and Gaps in Care. Results are based on PBM client member populations. Results may differ depending on the specific line of business and for non-PBM member populations. Data is only shared in accordance with the law and our agreements with our PBM clients that elect health engagement messaging. 2. PMPY (Per Member Per Year). Sources: Roebuck MC, Liberman JN, Gemmill-Toyama M, Brennan TA. Medication adherence leads to lower health care use and costs despite increased drug spending. Health Affairs. 2011;30(1):91-99. Carls G, et al. Impact of medication adherence on absenteeism and short-term disability for five chronic diseases. J Occup Environ Med 2012 Jul;54(7):792-805. Projects contained in this presentation are for information purposes only, and may vary based on factors such as programs adopted by the plan. Actual results may vary. Client-specific modeling available upon request.

Diabetes: Personalized Care Delivered Through Effective Channels

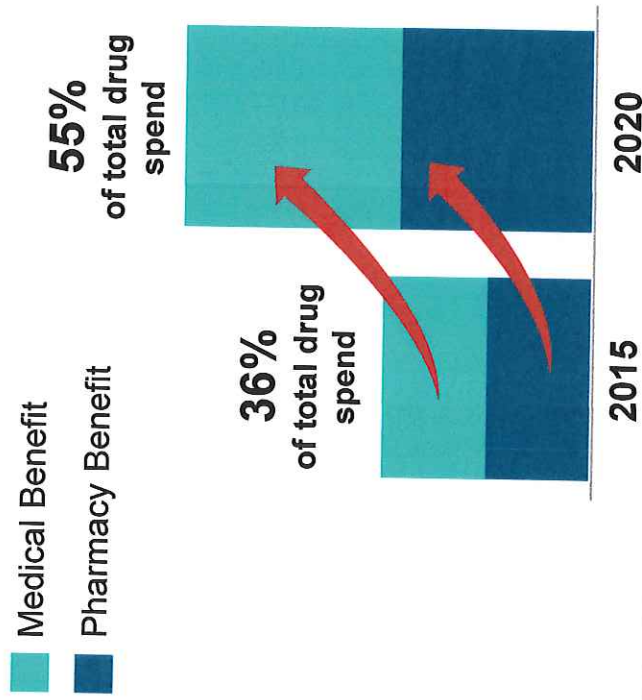


Photos source: Getty Images, 2016.

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Looking Ahead: By 2020, Specialty Will Represent 55% of all Drug Spend¹

TOTAL INDUSTRY SPECIALTY SPEND¹



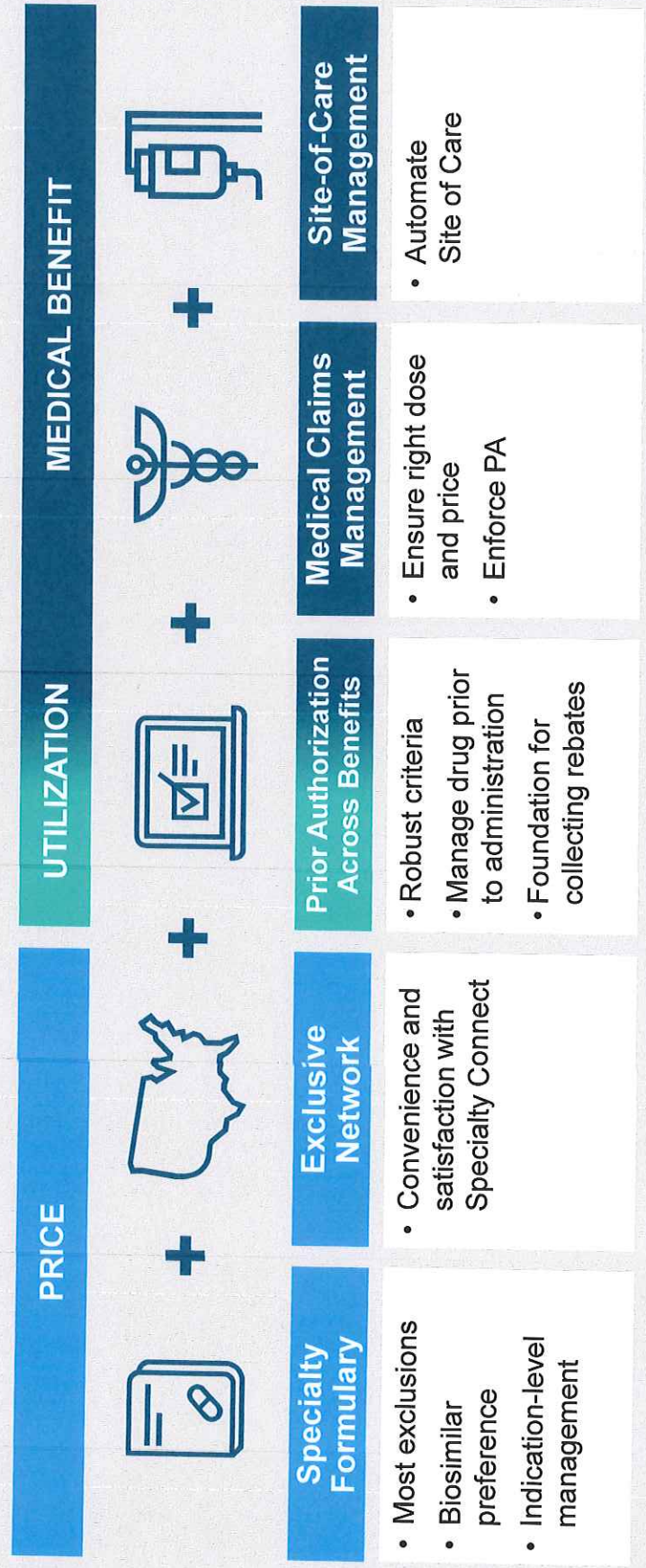
KEY FACTORS DRIVING TREND

- Increasing utilization
 - Robust pipeline
 - Expanding indications
 - Aging population
- Increasing prices
 - Brand-name drug price inflation
 - Higher cost for innovative drugs

New regulations and legislation will contribute to uncertain, changing market dynamics.

CVS Enterprise Analytics, 2016. "Medicines Use and Spending in the U.S." IMS, April 2016. NHE, Artemetrx, CVS Health Internal Analysis, 2016.

Differentiated Approach to Manage Price, Utilization and Medical Benefit Spend



PBMs to Play an Increasingly Critical Role in the Evolving Health Care Landscape

CRITICAL CHALLENGES

Diminishing Generic Pipeline

Price inflation across generics and brands

Robust pipeline of new, high-cost Specialty medications

Patients continue to struggle with adherence

Patients are exposed to higher out of pocket costs for medications than ever before

OPPORTUNITIES

Proactively manage and reduce costs of clients and members

Promote adherence using multiple approaches and avenues

Provide tools to support the “retailization” of healthcare