



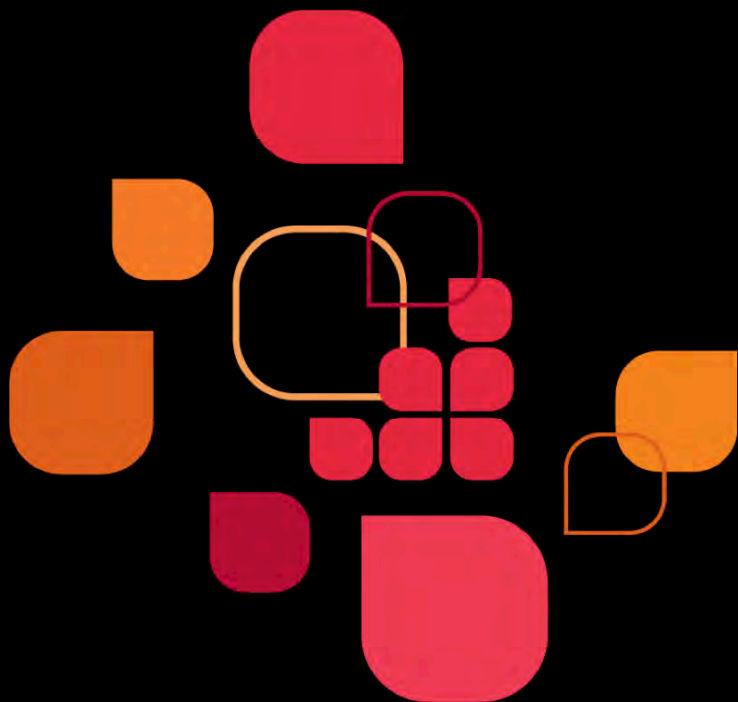
# Reinventing Pharmacy For Better Shareholder Value



2011  
**analyst**  
day

December 20, 2011





## Welcoming Remarks

Nancy Christal  
SVP, Investor Relations

2011  
**analyst**  
day



## Safe Harbor Statement

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During This Presentation, We Will Make Certain Forward-looking Statements That Are Subject To Risks And Uncertainties That Could Cause Actual Results To Differ Materially. Accordingly, For These Forward-looking Statements, We Claim The Protection Of The Safe Harbor For Forward-looking Statements Contained In The Private Securities Litigation Reform Act Of 1995. We Strongly Recommend That You Become Familiar With The Specific Risks And Uncertainties That Are Described In The "Risk Factors" Section Of Our Annual Report On Form 10-K For The Year Ended December 31, 2010 And Under The Caption "Cautionary Statement Concerning Forward Looking Statements" In Our Quarterly Report On Form 10-Q For Quarter Ended September 30, 2011.





# Non-GAAP Financial Measures

## Free cash flow

Net earnings

- + Non-cash charges
- + Working capital change
- Additions to property and equipment
- + Proceeds from sale-leasebacks

Free cash flow

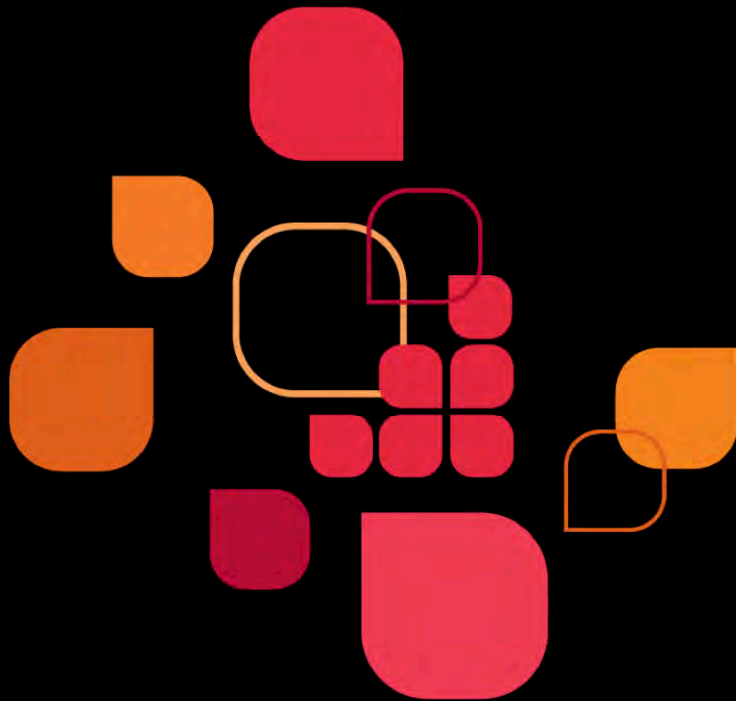
## Adjusted EPS

Earnings (from cont. ops) before income tax provision

- + Amortization
- Income tax provision
- +/- Dilutive earnings adjustment
- ÷ Weighted average diluted common shares

Adjusted earnings per share (from cont. ops)





**CVS**  
**CAREMARK**

## Introductions & Agenda

Larry Merlo  
President & CEO

2011  
**analyst**  
day



# Today's Agenda

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Driving Shareholder Value ...

Dave Denton

... Through Disciplined Capital Allocation

... Through Healthy 2012 Earnings Growth

... Through Solid Steady State Growth

Guidance Q&A



# Today's Agenda

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Reinventing Pharmacy for Better Health ...

Larry Merlo

... Through Caremark Pharmacy Services

Per Lofberg

... Through CVS/pharmacy

Mark Cosby

... Through MinuteClinic

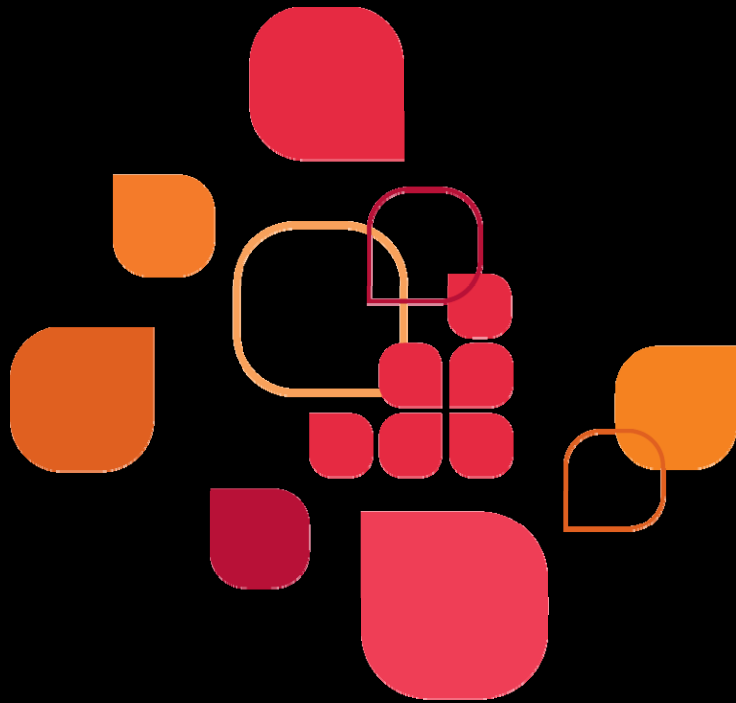
Andy Sussman, M.D.

... Through Integrated Solutions

Troy Brennan, M.D., M.P.H.

Wrap-up And Q & A





**CVS**  
**CAREMARK**

## Driving Shareholder Value

Dave Denton  
EVP & CFO

2011  
**analyst**  
day



# Agenda

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- Perspectives On 2011
- Disciplined Capital Allocation Strategy
- 2012 Guidance Review
- Key Drivers Impacting Timing Of Profitability
- Upside Potential From WAG/ESRX Impasse
- Steady State Growth Targets



## 2011 Built the Foundation For Long-term Growth

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- Set Achievable Targets And Expect To Deliver At High-end Of Initial Full-year Guidance Range
- Executed Disciplined Capital Allocation Strategy And Returned \$3.7 Billion To Shareholders
- Continued Enterprise-wide Productivity Improvements
- Delivered On Working Capital Improvement Targets
- Completed Acquisition Of Universal American's PDP



## 2011 Guidance Reaffirmed

Full-year 2011

Net Revenue Growth

Up ~11.5%

Adjusted EPS (from cont. ops.)

\$2.77 to \$2.81

*Year-over-year Growth*

*Up 5% to 6%*

Free Cash Flow

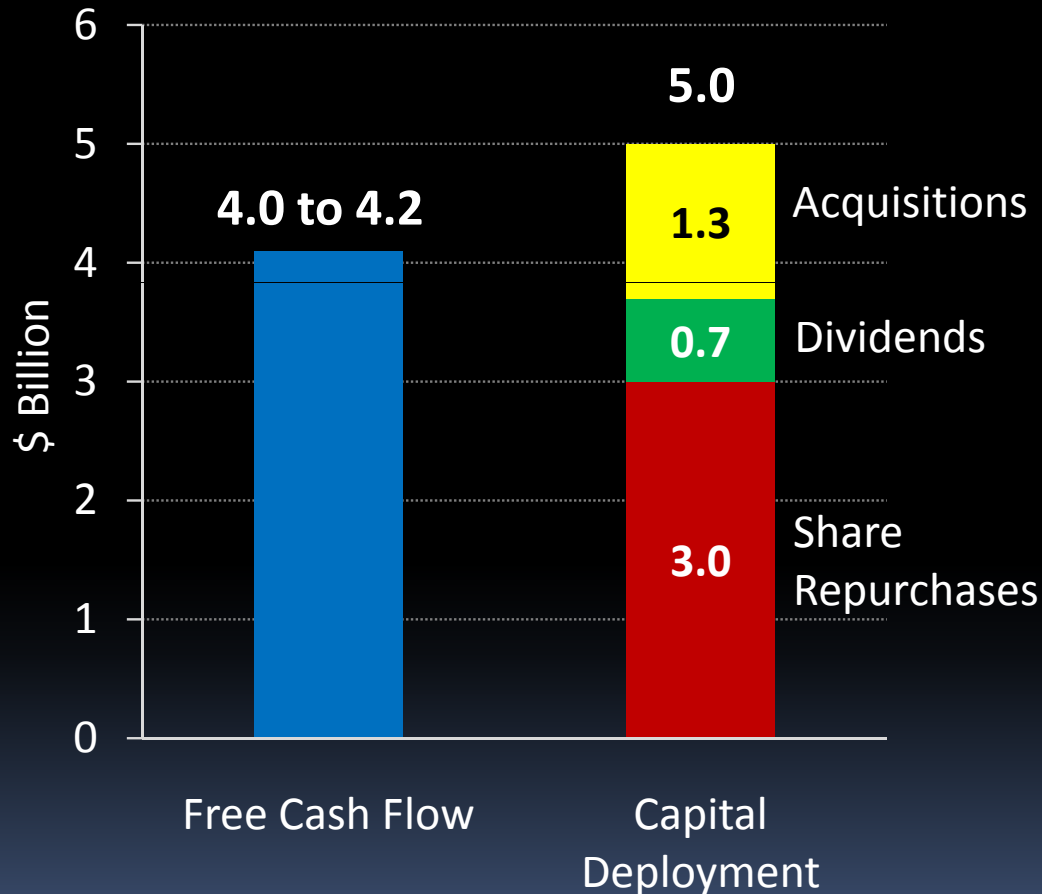
\$4.0 to \$4.2 billion

Notes:

1. GAAP Diluted EPS (from cont. ops.) guidance for full-year 2011 is reaffirmed as \$2.57 to \$2.61.
2. Year-over-year growth rate calculated excluding the impact of approximately \$47 million, or \$0.03 per diluted share, of previously unrecognized tax benefits that were recognized in the year ended December 31, 2010.



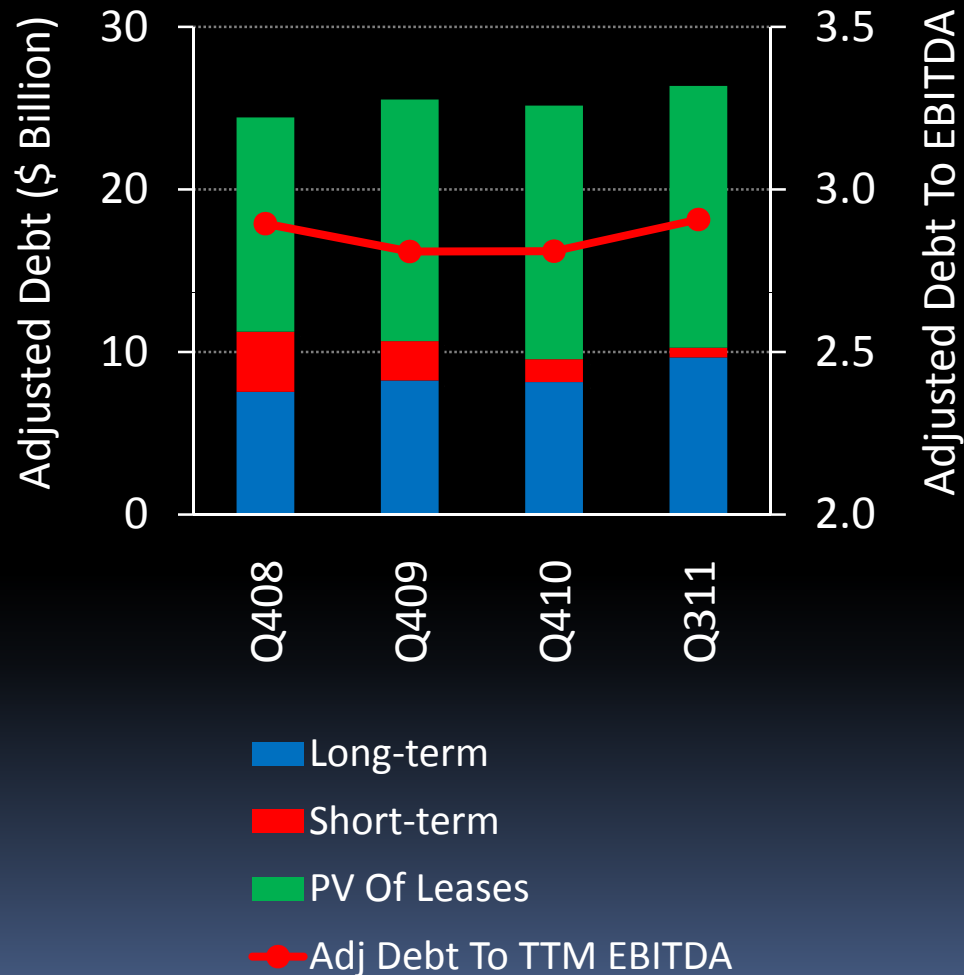
# Disciplined Capital Allocation In 2011



- Acquisition Of UAM Part D Business Closed In Q2
- Increased Quarterly Dividend By 43% In January 2011
- Completed ~\$3.0 Billion Of Share Repurchases



# Healthy Balance Sheet



- Focused On Maintaining High “BBB” Rating
- Targeting Adjusted Debt To EBITDA Ratio Of ~2.7x



# Focused On Enhancing Shareholder Value

## Driving Productive Long-term Growth

- *Steady State* Targets

## Generating Significant Cash Flow

- Improve Working Capital
- Focus On Returns

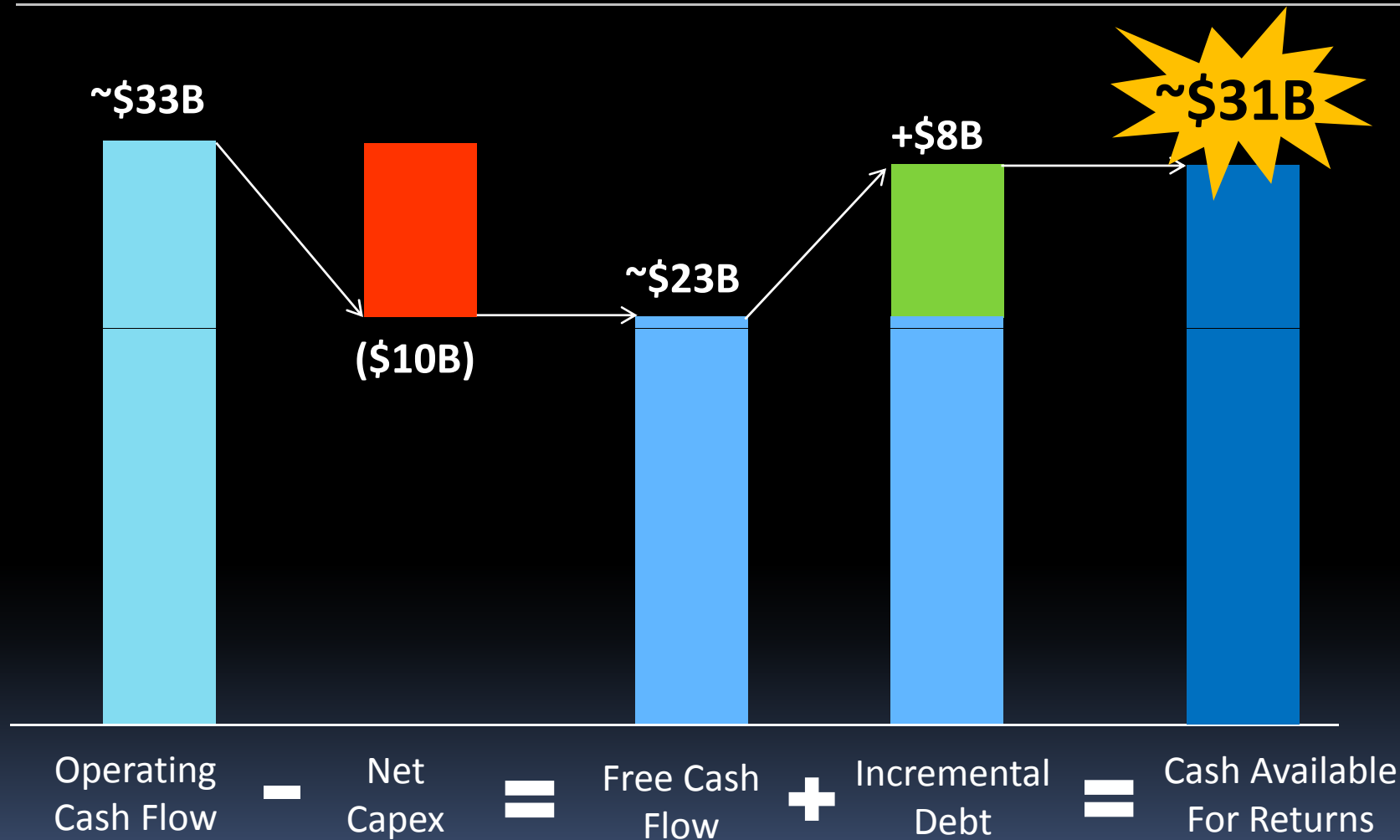
## Optimizing Capital Deployment

- Operate Within Target Leverage Range
- Utilize Cash Flow To Improve Returns

Enhancing  
Shareholder  
Value



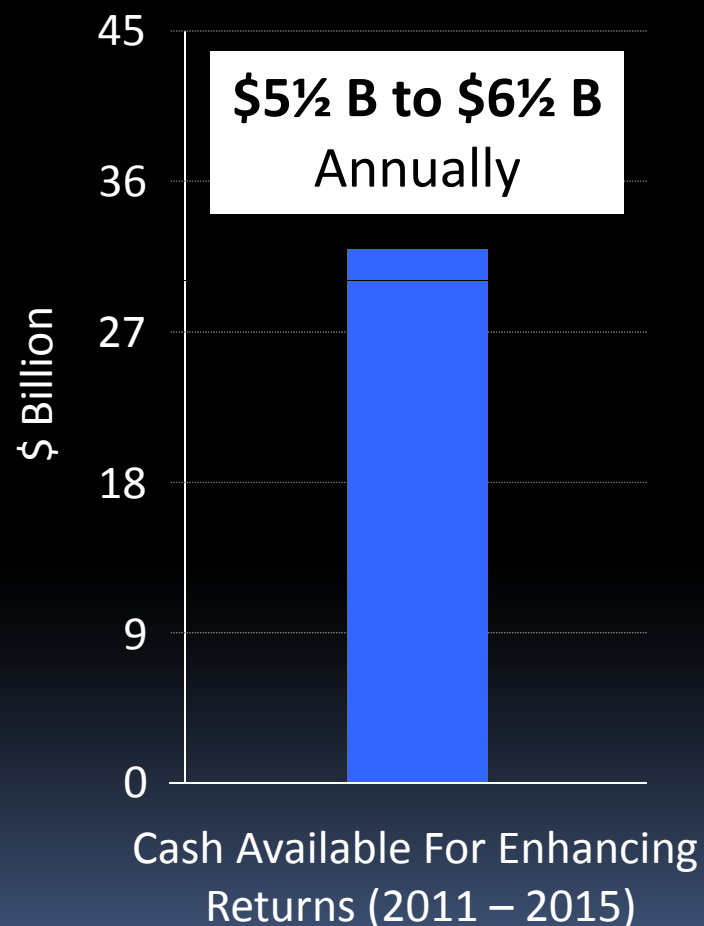
# \$31 Billion Of Cash Available To Enhance Returns



Note: Figures represent targets for the years 2011 through 2015, under steady state five year business model



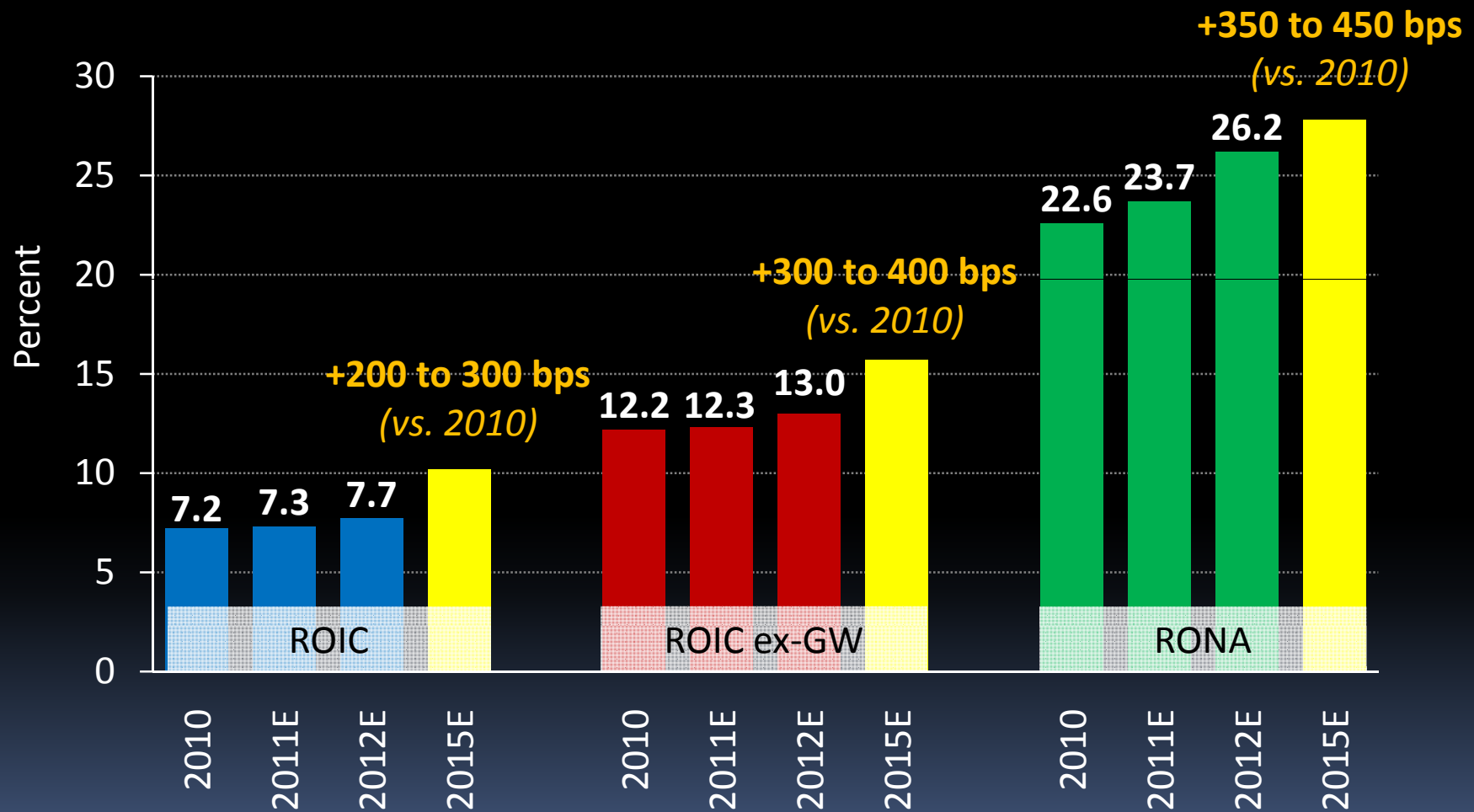
# Cash Deployment Guided By Disciplined, Risk-adjusted Decisions



- Increase Dividends
  - Target Payout Ratio Of 25% to 30%, By 2015
  - Implied Dividend CAGR Of ~25%
- Drive ROIC With Value-enhancing Projects
- Value-creating Share Repurchases
  - Additional Liquidity To Repurchase Shares, If Value-creating
  - \$3 to \$4 Billion Per Year, On Average, Available After Dividends

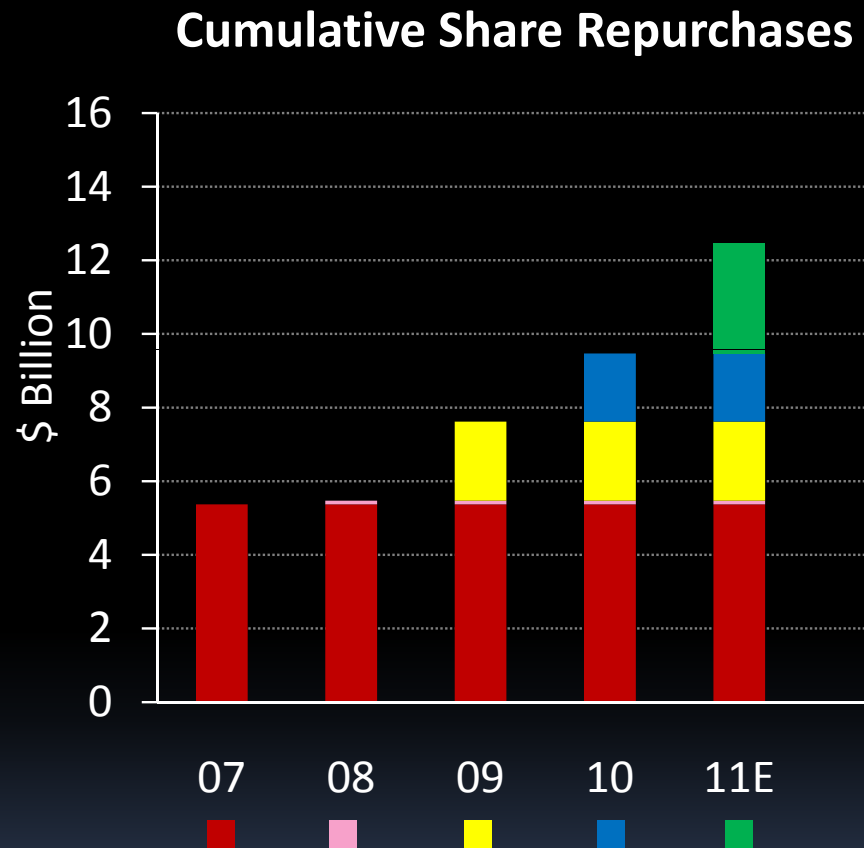
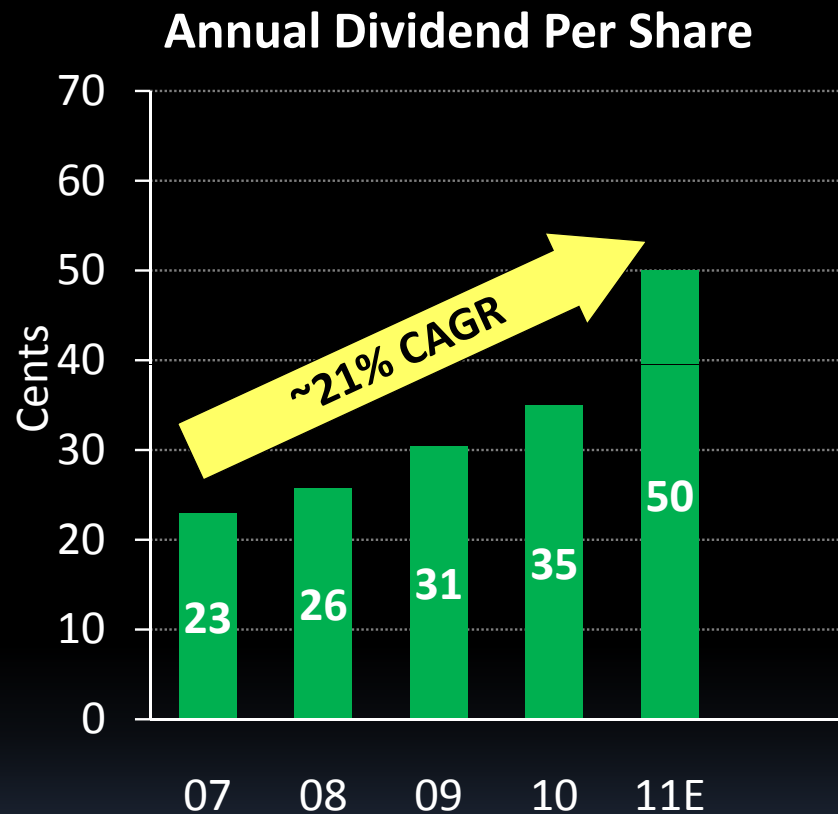


# Focused On Enhancing Returns



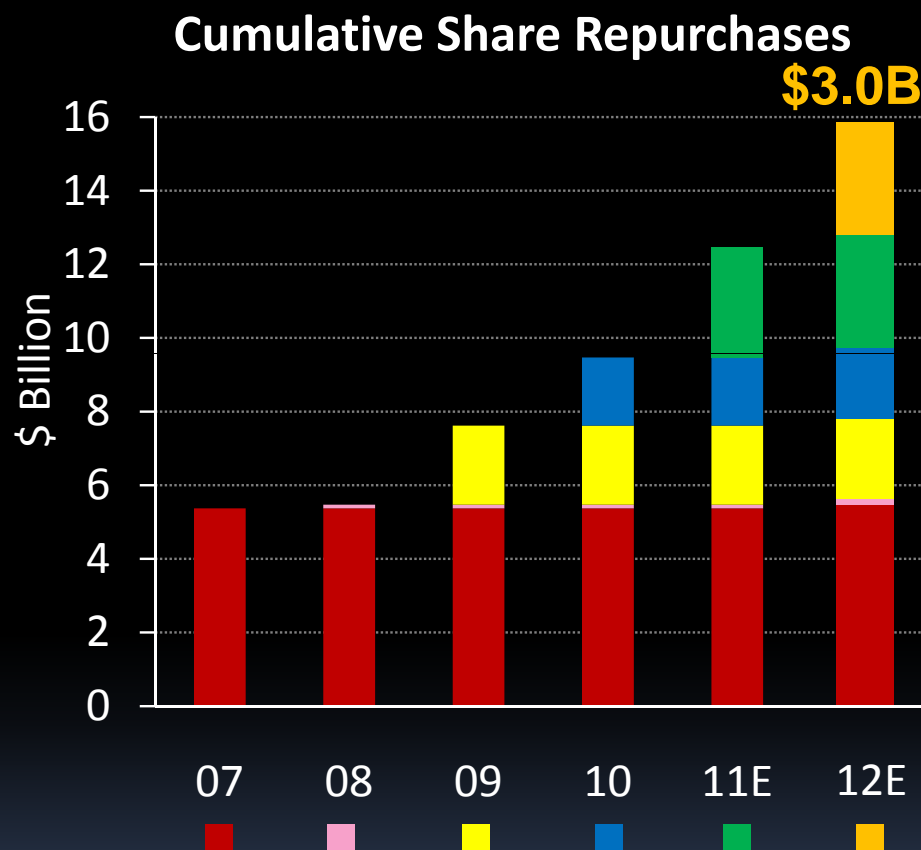
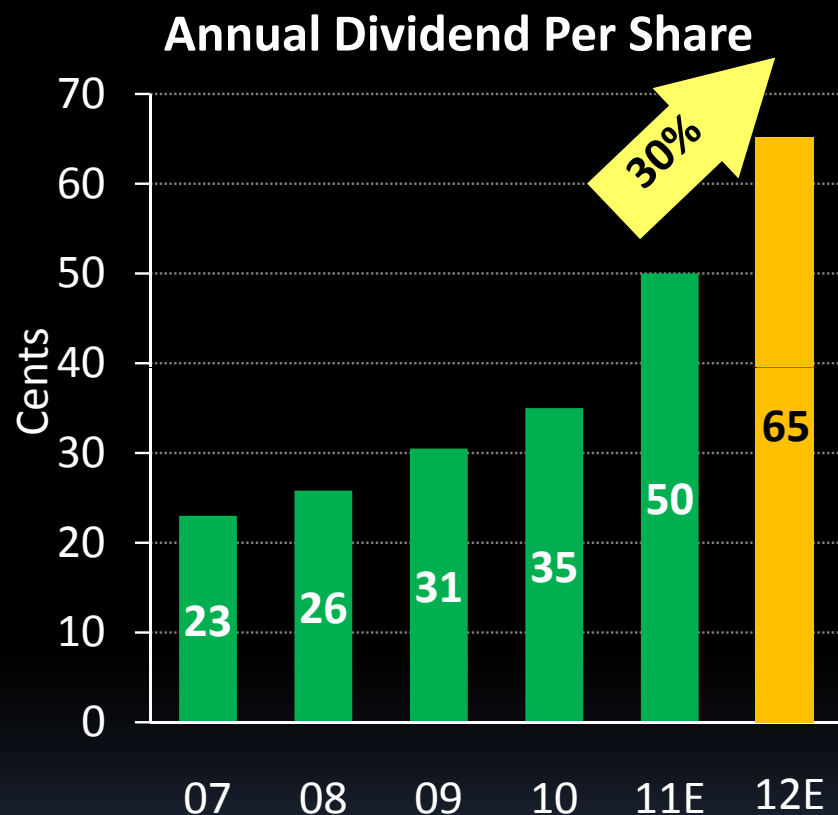


# Solid History Of Enhancing Shareholder Returns





# Significant Dividend Increase And Share Repurchases Planned In 2012



**Increasing Annual Dividend By 30% In 2012,  
And Expect To Complete \$3.0 Billion In Share Repurchases**



# 2012 Guidance:

## Consolidated Income Statement

Full-year 2012  
vs. 2011

Net Revenue

+ 11.5% to 13%

GAAP Diluted EPS (from cont. ops)

\$2.93 to \$3.03

Adjusted EPS (from cont. ops)

**\$3.15 to \$3.25**

*Year-over-year Growth*

*+ 13.0% to 16.5%*

Notes:

1. EPS estimates assume completion of \$3 billion in share repurchases, as part of \$4.0 billion share repurchase program authorized by CVS Caremark's Board of Directors in August 2011.
2. Year-over-year Growth rate based on mid-point of 2011 guidance range.
3. Estimates include one extra day in 2012 versus 2011 for leap year.



# 2012 Guidance:

## Cash Flow & Capital Expenditures

(In Billions)

Full-year 2012

Operating Cash Flow

\$5.7 to \$6.0

*Gross Capital Expenditures*

(\$2.0) to (\$2.1)

*Sale-leaseback Proceeds*

\$0.5 to \$0.6

Net Capital Expenditures

(\$1.4) to (\$1.6)

**Free Cash Flow**

**\$4.3 to \$4.6**

### Notes:

1. The Company finances a portion of its store development program through sale-leaseback transactions. Use of sale-leaseback financing is subject to change, as we evaluate a variety of financing vehicles for future development; this may also result in changes to our definition of Free Cash Flow.
2. Estimates include one extra day in 2012 versus 2011 for leap year.
3. Figures might not foot due to rounding.



# 2012 Guidance:

## Retail Pharmacy Segment

	Full-year 2012 vs. 2011
Net Revenue	+ 2% to 3%
Same Store Sales Growth	+ 0.5% to 1.5%
Same Store Script Growth	+ 3% to 4%
Gross Profit Margin	Up Moderately
Operating Expenses (% of revenue)	Modest Deleverage
<b>Operating Profit</b>	<b>+ 7% to 9%</b>
Operating Profit Margin	Up 40 to 50 bps

Notes:

1. Same Store Script Growth is estimated using the standard convention of counting all scripts, regardless of the days supply, as one script.
2. Estimates, including "same store " estimates, include one extra day in 2012 versus 2011 for leap year.



# Potential For Generics To Have Significant Impact On Various Retail Operating Metrics In 2012 ...

- Annual Revenues Reduced By **\$2 Billion to \$2.5 Billion**
- Pharmacy Same Store Sales
  - Negatively Impacted By **500 bps to 650 bps**
  - Potential For Negative Pharmacy Same Store Sales In Some Quarters
- Operating Expenses (% of revenues)
  - Underlying Improvements Offset By **65 bps to 85 bps** Due To Generic Deleveraging Effect

**...But Generics Contribute Significantly To Operating Profit Growth**



# 2012 Guidance:

## Pharmacy Services Segment

Full-year 2012  
vs. 2011

Net Revenue + 22% to 24%

Adjusted Total Claims 1.025 to 1.045 billion

Gross Profit Margin Down Notably

Operating Expenses (% of revenue) Moderate Improvement

**Operating Profit + 11% to 15%**

Operating Profit Margin Down 25 to 35 bps

Notes:

1. Estimates include one extra day in 2012 versus 2011 for leap year.



## 2012 Guidance:

# Pharmacy Services Operating Profit Growth

Full-year 2012  
vs. 2011

Pharmacy Services Operating Profit Growth + 11% to 15%  
(As Guided)

Impact of Select Items ~350 bps  
(Streamlining, Aetna, and UAM)

Pharmacy Services Operating Profit Growth + 7.5% to 11.5%  
(Excluding Select Items)

### Notes:

1. Operating profit associated with Select items is excluded from both 2011 and 2012 expected results.
2. Estimates include one extra day in 2012 versus 2011 for leap year.



## Impact of Select Items

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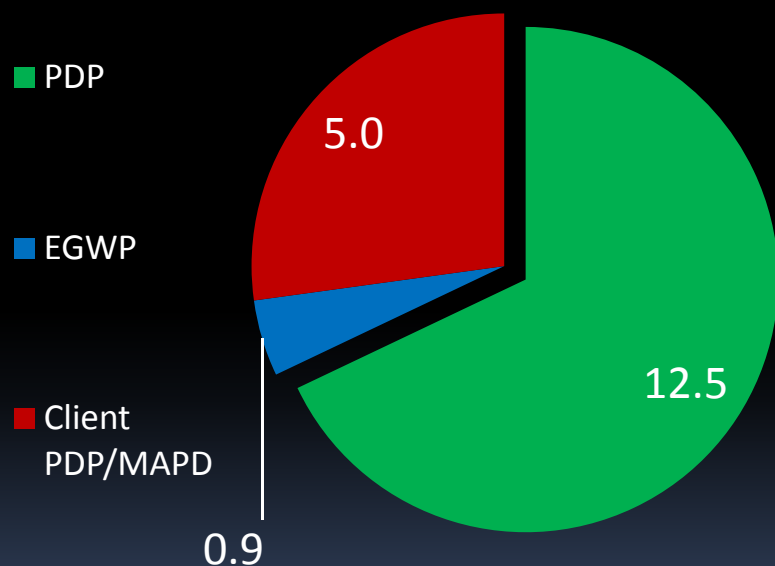
- Streamlining Initiatives
  - On-track To Achieve \$1 Billion In Savings Over Five Years
- Aetna Contract
  - Implementation Phase: 2010 Through 2012
  - 2012 Contribution Lower Than Initially Anticipated
  - Expected To Be Solid Contributor Over Long-term
- Universal American Med D
  - Financially And Operationally On-track
  - Strong Accretion In 2011
  - Impact Flat To Slightly Dilutive In 2012, Due To Wrap



# Our Medicare Business Is Substantial And Growing ...

## Back-half Weighting Of Earnings Will Accelerate

Over \$18 Billion In Medicare Revenues In 2012

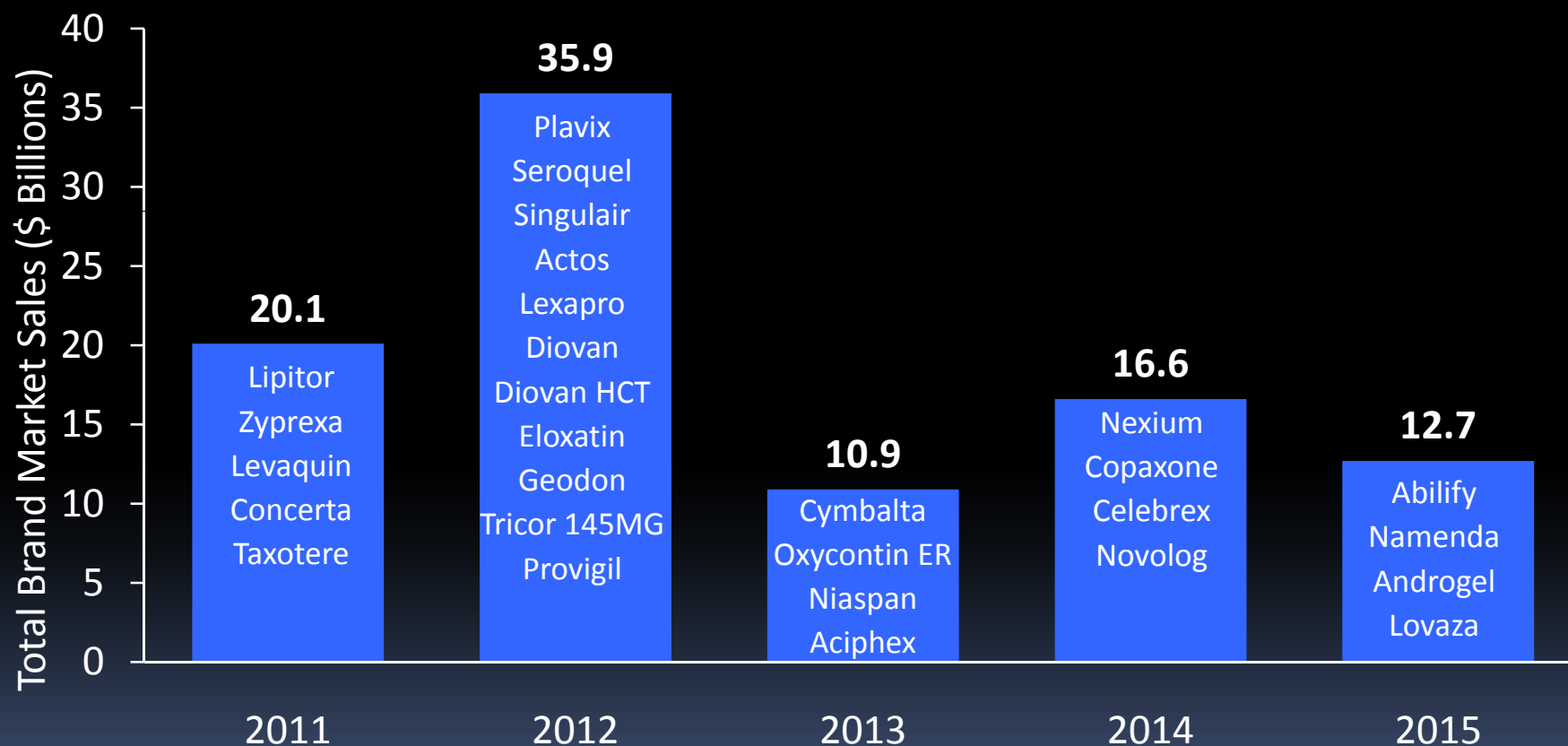


PDP	2012	2011	Year-over-year Growth
Revenue (\$ B)	12.5	6.4	95%
Lives (M)	3.3	3.2	4%
Scripts (M)	182.9	137.5	33%

Note: 2012 PDP revenue estimate includes \$5.5 billion related to UAM contract addition.



# Generics Continue To Represent A Significant Opportunity In The Coming Years



## Notes:

1. Total brand market sales estimates represent 12 months of sales; includes all expected generic launches in total brand numbers with key launches highlighted; assumes 6 months pediatric extension on all launches; forward looking information assumes no "at risk" launches.
  2. The timing of generic introductions can be impacted by a variety of factors, including legal challenges, regulatory issues and manufacturing capacity.
- Sources: IMS Health; company estimates.

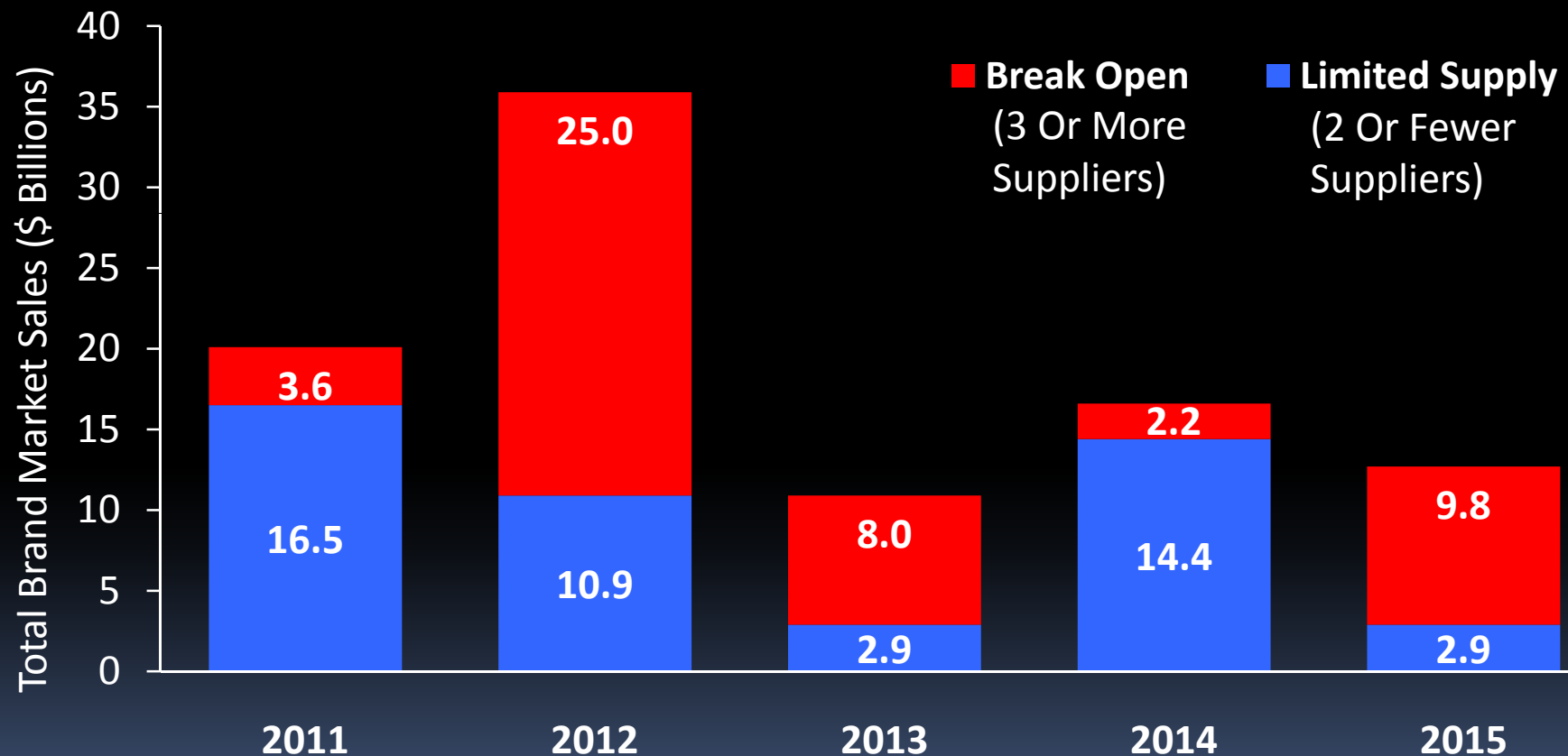


# Manner In Which Generic Is Introduced Impacts Cadence Of Profitability Yield

	Description	Economics	'11-'12 Examples
<b>Limited Supply</b>  <i>Migrate To Break Open Post Exclusivity (Typically 6 Months)</i>	<i>2 Or Fewer Suppliers</i>	<ul style="list-style-type: none"> <li>Behave Similar To Branded Drug Economics</li> <li>Price And Cost Remain High</li> <li>Limited Supply Competition</li> </ul>	Lipitor Zyprexa Concerta Lexapro
<b>Break Open</b>	<i>3 Or More Suppliers</i>	<ul style="list-style-type: none"> <li>Economics Significantly Better Than Brand</li> <li>Intense Supply Competition</li> <li>Purchasing Scale Enables Lower Procurement Cost</li> </ul>	Plavix Seroquel Levaquin Geodon



# Types Of Generic Launches Expected By Year

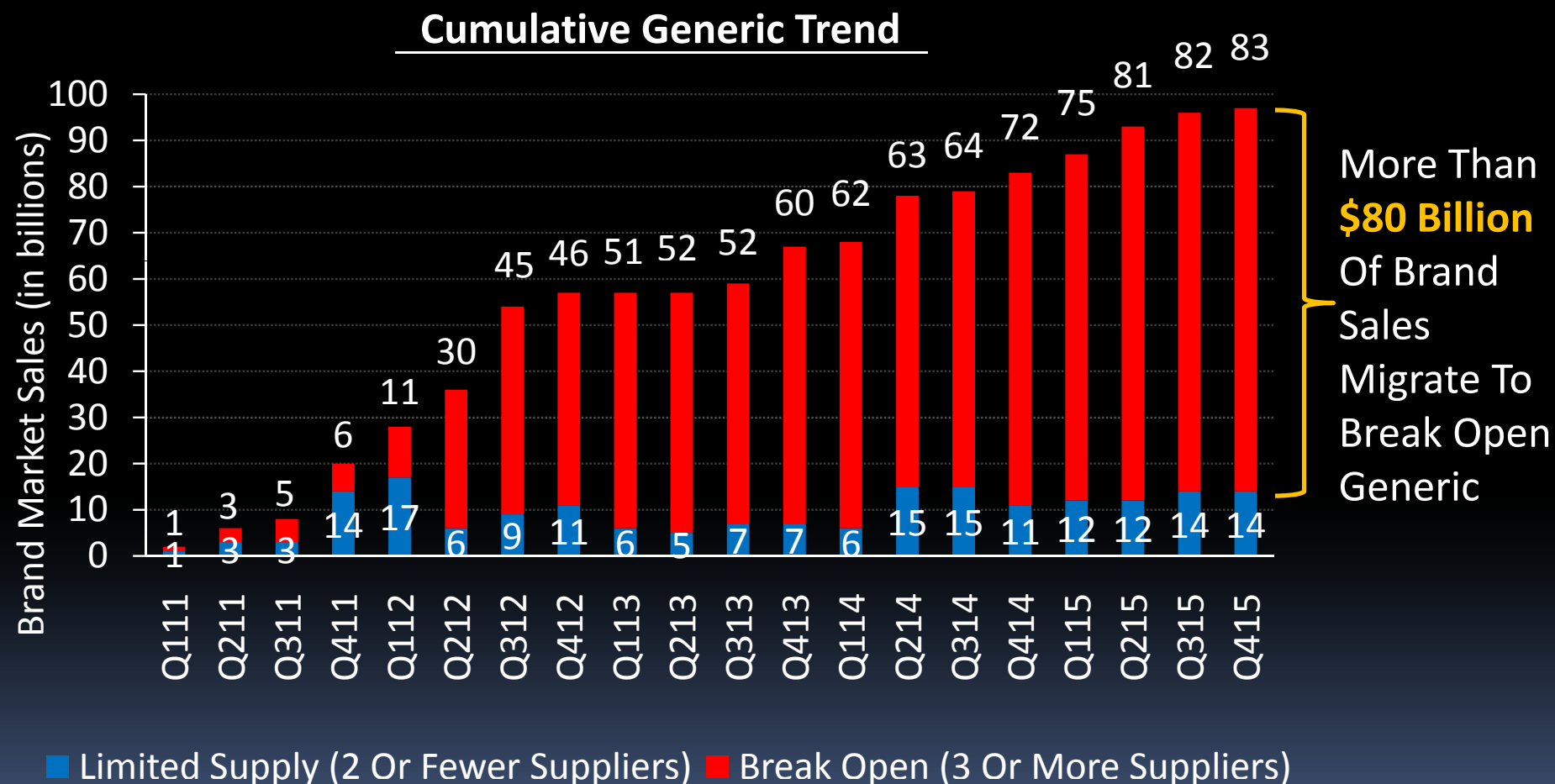


## Notes:

1. Total brand market sales estimates represent 12 months of sales; includes all expected generic launches in total brand numbers with key launches highlighted; assumes 6 months pediatric extension on all launches; forward looking information assumes no "at risk" launches.
  2. The timing of generic introductions can be impacted by a variety of factors, including legal challenges, regulatory issues and manufacturing capacity.
- Sources: IMS Health; company estimates.



# Timing Of Break Open Generics Will Significantly Impact Cadence Of Profitability Yield



## Notes:

1. Total brand market sales estimates represent 12 months of sales; includes all expected generic launches in total brand numbers with key launches highlighted; assumes 6 months pediatric extension on all launches; forward looking information assumes no "at risk" launches.
  2. The timing of generic introductions can be impacted by a variety of factors, including legal challenges, regulatory issues and manufacturing capacity.
- Sources: IMS Health; company estimates.



## First Quarter 2012 Guidance

Q1 2012  
vs. Q1 2011

Consolidated Net Revenue + 14.5% to 16%

GAAP Diluted EPS (from cont. ops.) 52¢ to 54¢

Adjusted EPS (from cont. ops.) **58¢ to 60¢**

*Year-over-year Growth* + 3% to 6.5%

Note: Estimates include one extra day in Q1 2012 versus Q1 2011 for leap year.



## First Quarter 2012 Guidance

	Q1 2012 vs. Q1 2011
Pharmacy Services Net Revenue	+ 28% to 30%
Pharmacy Services Operating Profit	(10%) to (14%)
Retail Net Revenue	+ 3% to 4%
<i>Same Store Sales Growth</i>	+ 1.5% to 2.5%
<i>Same Store Script Growth</i>	+ 2% to 3%
Retail Operating Profit	+ 8% to 10%

Notes:

1. Same Store Script Growth is estimated using the standard convention of counting all scripts, regardless of the days supply, as one script.
2. Estimates, including "same store" estimates, include one extra day in Q1 2012 versus Q1 2011 for leap year.



# Potential Share Gain From WAG/ESRX

## Impasse Represents Significant Opportunity

### CVS/pharmacy Overlap With WAG

Radius	Store Count	% Of Stores
1 Mile	3,163	43%
3 Miles	5,716	78%
5 Miles	6,246	85%

### Potential Annualized Script Gain

% Of 90 Million Scripts Transferred From WAG		
	75%	85%
25%	16.9	19.1
30%	20.3	23.0

Share Captured  
By CVS/pharmacy

(In Millions)



# Potential Benefit From WAG/ESRX

## Impasse Is NOT Included In Guidance

- Full-year EPS Impact Between **8¢ and 11¢**
  - Full-year EBIT Impact Of **\$175 Million to \$235 Million**
  - Full-year Pharmacy Same Store Sales Impact Of **~ 300 bps**
- Expect Back-half Weighted Impact
  - Potential Consumer Stocking-up In December '11
  - Associated Labor And Marketing Expenses Higher In 1H12

Approximate Quarterly EPS Contribution

Q112	Q212	Q312	Q412
~2¢	~2¢	2¢ to 3¢	2¢ to 3¢



# Steady State Targets: Enterprise Growth Model

	Five-year CAGR 2010 – 2015
Net Revenue	5% to 8%
Operating Profit	8% to 10%
Adjusted EPS From Cont Ops	7% to 9%
<i>Average Annual Cash Available For Enhancing Shareholder Value</i>	<i>\$5.5 billion to \$6.5 billion</i>
Share Repurchase Contribution	3% to 6%
Total Adjusted EPS	10% to 15%

Notes:

1. Net Revenue target reduced from “8% to 11%” CAGR previously to current target due to revised assumptions around impact of increasing generic penetration on revenues in our retail segment.
2. Cash available for enhancing shareholder value = Free cash flow +/- change in net debt



# Steady State Targets: Segment Growth Model

Five-year CAGR  
2010 – 2015

PBM

Net Revenue Growth:	11% to 13%
Operating Profit Growth:	9% to 11%

Retail

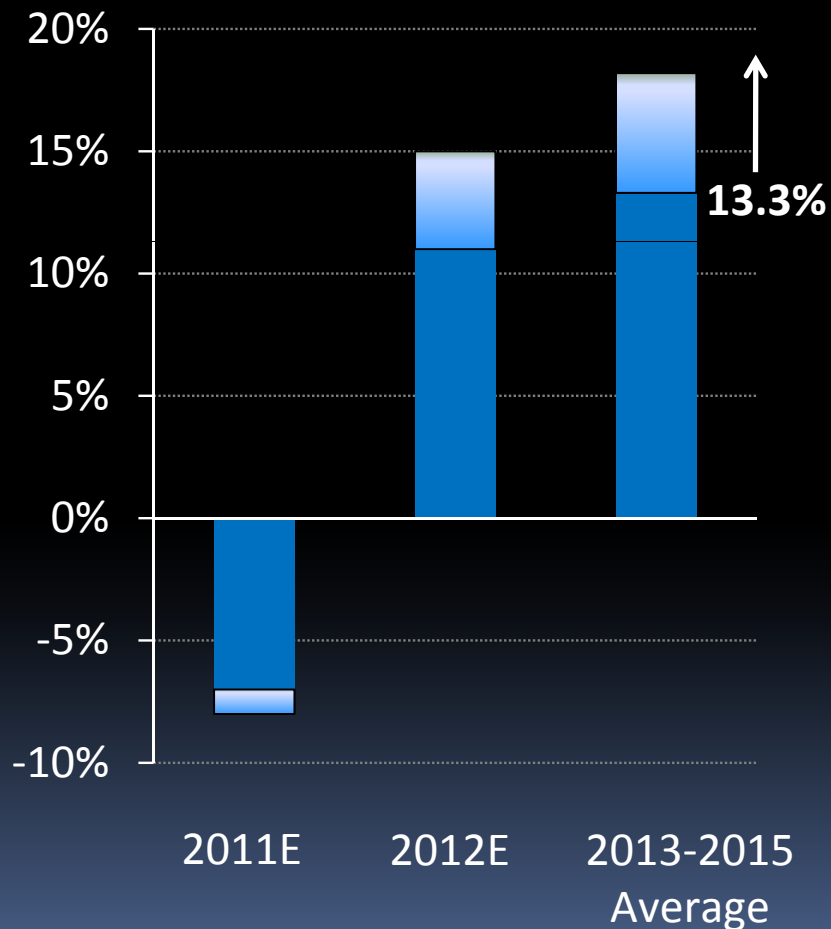
Net Revenue Growth:	2% to 5%
Operating Profit Growth:	8% to 10%

Note: Net Revenue Growth reduced from “5% to 8%” CAGR previously to current target due to revised assumptions around impact of increasing generic penetration on revenues.

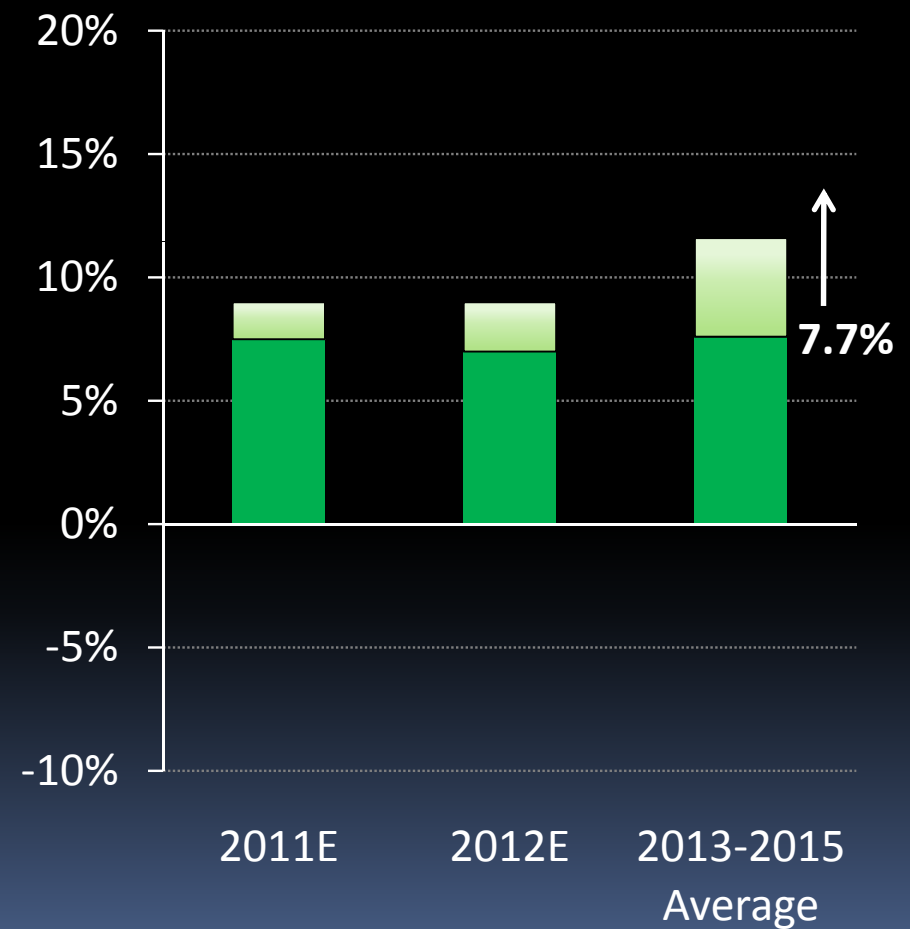


# Steady State Targets: 2013 – 2015 Segment Growth

## PBM Operating Profit Growth



## Retail Operating Profit Growth



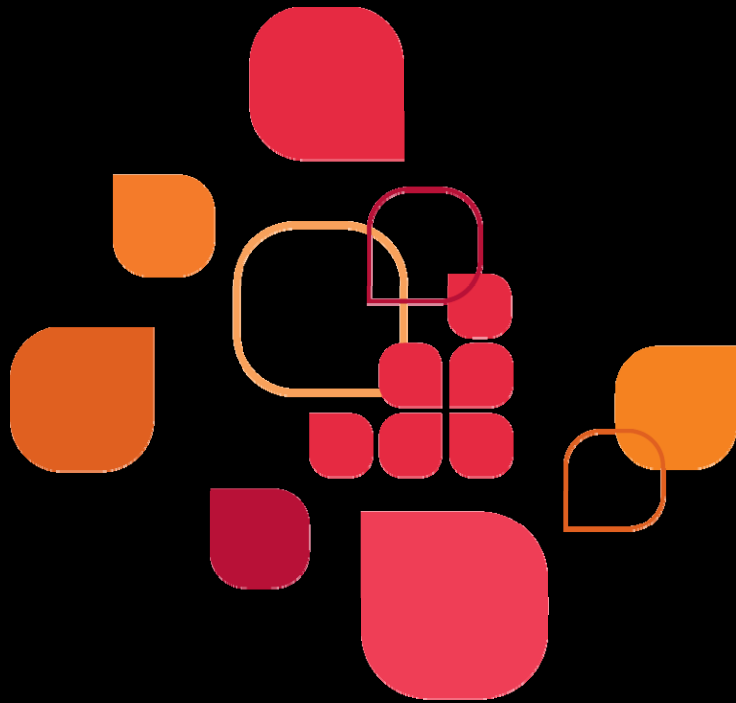


# Reinventing Pharmacy For Better Shareholder Value

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- 2011 Built The Foundation For Long-term Growth
- Solid Growth Expected In 2012
  - Consistent, Strong Retail Performance
  - PBM Returns To Healthy Operating Profit Growth
- Continued Focus On Enhancing Shareholder Value
  - Driving Productive Long-term Growth
  - Generating Significant Free Cash Flow
  - Executing On Disciplined Capital Allocation Strategy





## Appendix



## 2012 Guidance:

### Consolidated Income Statement

Full-year 2012  
(vs. 2011)

Corporate Segment Expense

\$650 to \$660 million

Intercompany Eliminations

~ 10%

(% of combined segment revenues)

Gross Profit Margin

Down Significantly

Operating Expenses (% of revenue)

Improve Significantly

Operating Profit Margin

Down 15 to 25 bps

Note: Estimates include one extra day in 2012 versus 2011 for leap year.



## 2012 Guidance:

### Consolidated Income Statement

Full-year 2012

Net Interest Expense	\$560 to \$570 million
Effective Tax Rate	~ 39%
Weighted Average Shares	~ 1.28 billion
Consolidated Amortization	~ \$460 million
Consolidated D&A	~ \$1.7 billion

Note: Estimates include one extra day in 2012 versus 2011 for leap year.



# Capital Allocation Priorities

## Operational Investments

### Organic Growth

- Store Growth & Remodels
- Continued Technology Improvements

## Capital Structure

### Maintain Capital Structure

- Credit Rating Of BBB+
- 2.7x Adjusted Debt-to-EBITDA

## Capital Returned To Shareholders

### Dividends

- ~25% Target CAGR Through 2015
- 25% to 30% Target Payout Ratio by 2015

### Repurchase Stock

- Absent More Attractive Alternatives, Take Advantage Of Share Valuation

## External Investment

### “Bolt-on” Acquisitions In Core Businesses

- Min Risk-adjusted Return Hurdle In Mid-teens

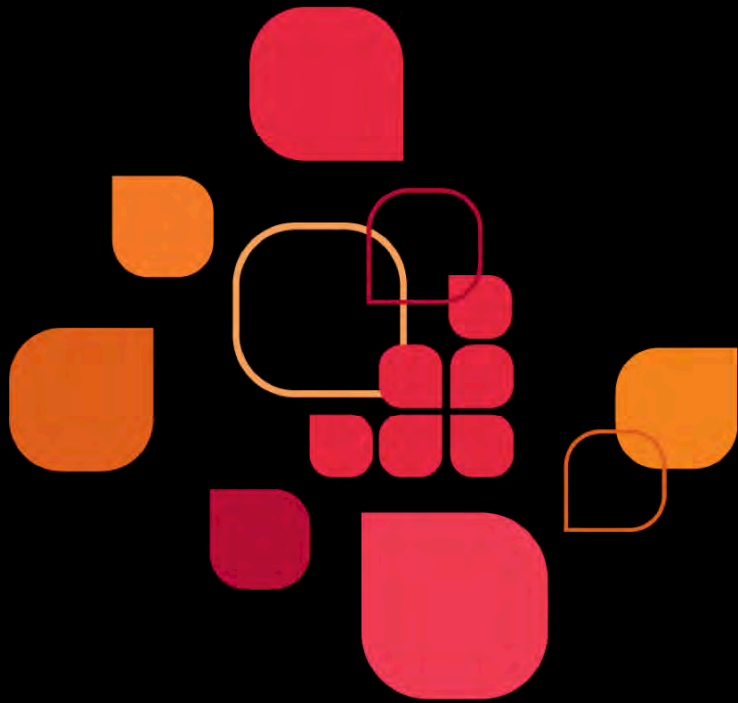


# Steady State Targets:

## Key Assumptions

	Anticipated Impact	
Favorable Industry Demographics	Utilization	+
Robust Generic Pipeline	Gross Margin	+
Maintain & Leverage Purchasing Scale	Gross Margin	+
Retail Share Gains / SG&A Leverage	Operating Profit	+
Net New PBM Contracts	Mix / Volume / Lives	+
Unique Products and Technology	Volume / Lives	+
PBM Streamlining Initiative	GM and SG&A	+
High Return, Bolt-on Acquisitions	Operating Profit	+
Pharmacy Pricing and Reimbursement Trends	Gross Margin	-





**CVS**  
**CAREMARK**

## Reinventing Pharmacy For Better Health

Larry Merlo  
President & CEO

2011  
**analyst**  
day



# Agenda

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- Perspectives On Our Accomplishments And Outlook
- Our Best-in-class Businesses And Integration  
“Sweet Spots”
- Changing Health Care Landscape And The  
Role Of Pharmacy
- Bringing Innovative Solutions To Market
- Our “Purpose”... Reinventing Pharmacy For Better Health



# Setting Achievable Goals And Delivering Results

- Executed On Our Plans for 2011
  - Expect to Deliver On Financial Targets
  - Retail Business Continues Solid Growth
  - PBM Clients Embracing Our Unique Offerings
  - Reaccelerated MinuteClinic Growth And Hit Breakeven On All-in Basis
- Positioned For Strong Growth In 2012 And Beyond
  - Retail Expected To Maintain Leadership Position
  - PBM Back On Track With Healthy Operating Profit Growth



# Executing On Five-Point Plan For PBM Growth

- ✓ ① Momentum In New Business Wins & Retention
- ✓ ② Continue To Develop And Up-sell Our Unique Clinical Offerings
- ✓ ③ Drive Growth In 90-day Mail Choice And GDR
- ✓ ④ Focus On High Growth Areas: Med D, Specialty, Aetna
- ✓ ⑤ Execute Successfully On The PBM Streamlining Initiative



# Best-in-class Business Units Each Positioned For Continued Healthy Growth...

**CVS/pharmacy®**

- Consistent Execution
- Superior Customer Service
- Top Loyalty Program (ExtraCare)
- Unique Pharmacy Technology
- Face-to-face Engagement

**CAREMARK®**

**minute  
clinic**



# Best-in-class Business Units Each Positioned For Continued Healthy Growth...



**CVS/pharmacy**



**minute  
clinic**



**CAREMARK**

- Deep Clinical Expertise
- Leading Specialty Pharmacy
- Superior Adherence Programs
- Broad Med D Offerings
- Innovative Plan Designs



# Best-in-class Business Units Each Positioned For Continued Healthy Growth...

**CVS/pharmacy**

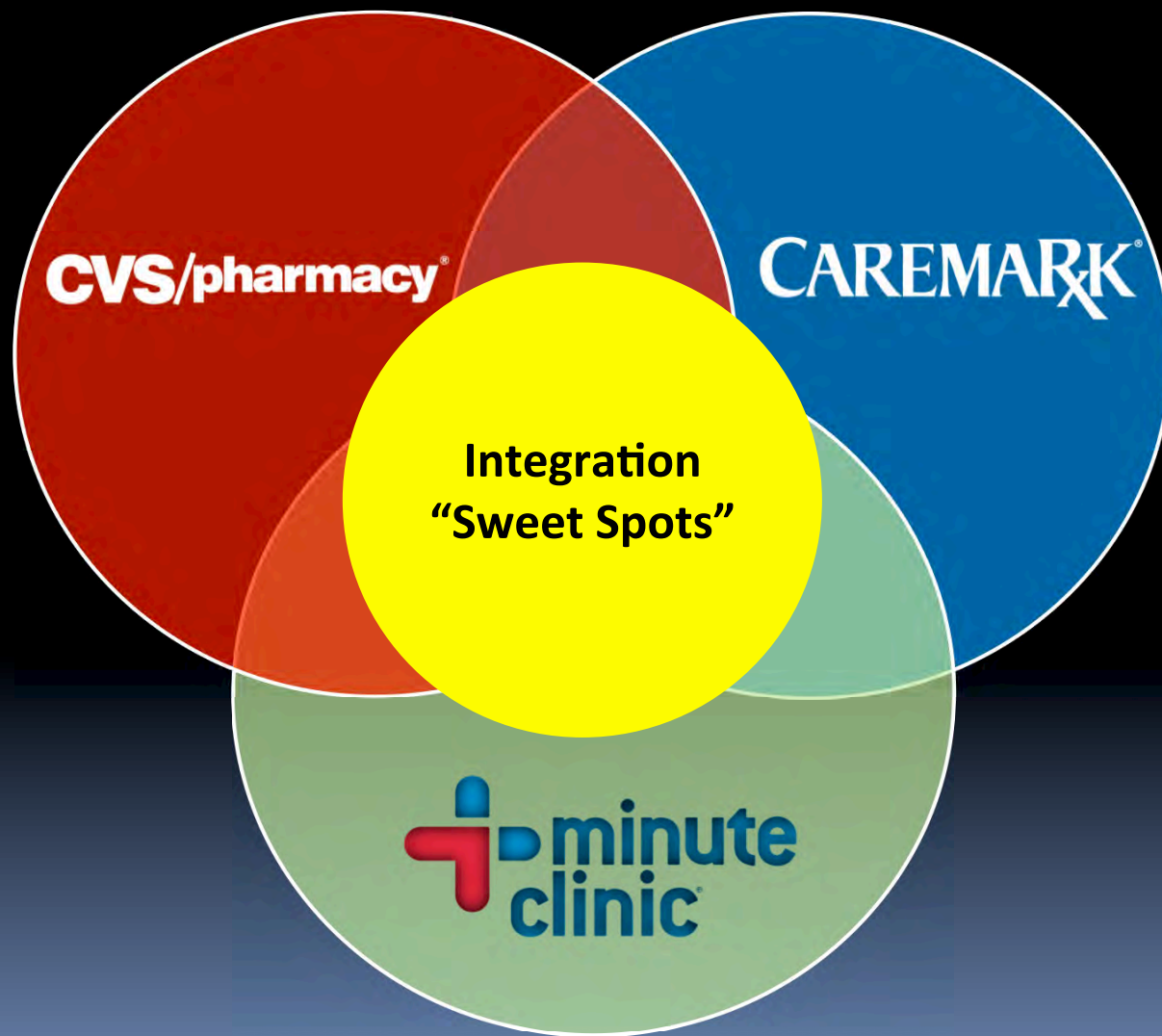
**CAREMARK**



- Retail Clinic Leader
- Convenient, High-quality, Affordable Care
- Health System Affiliations

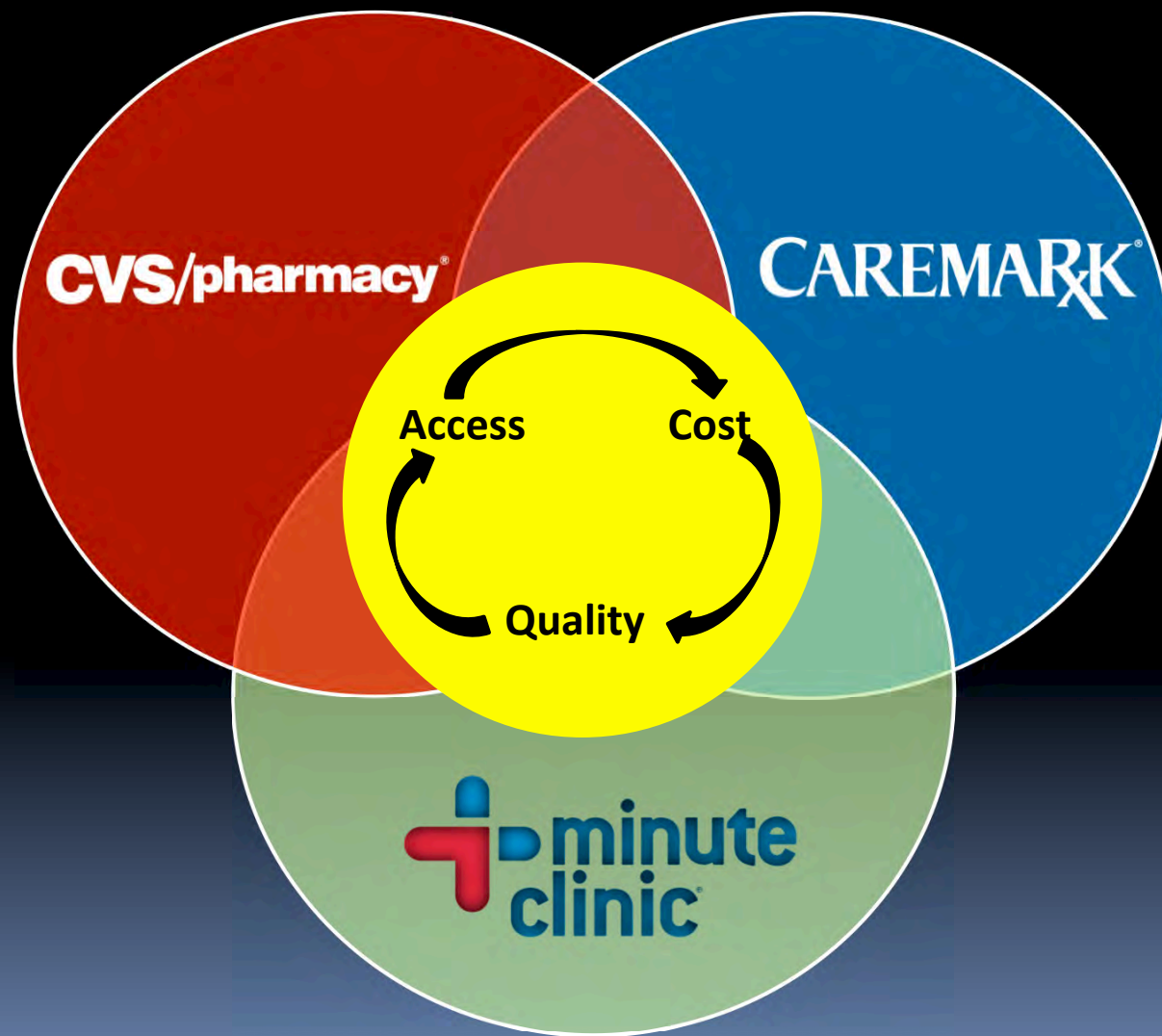


...And We're Capitalizing On The Power Of Our  
Combined Entity To Drive Superior Long-term Growth





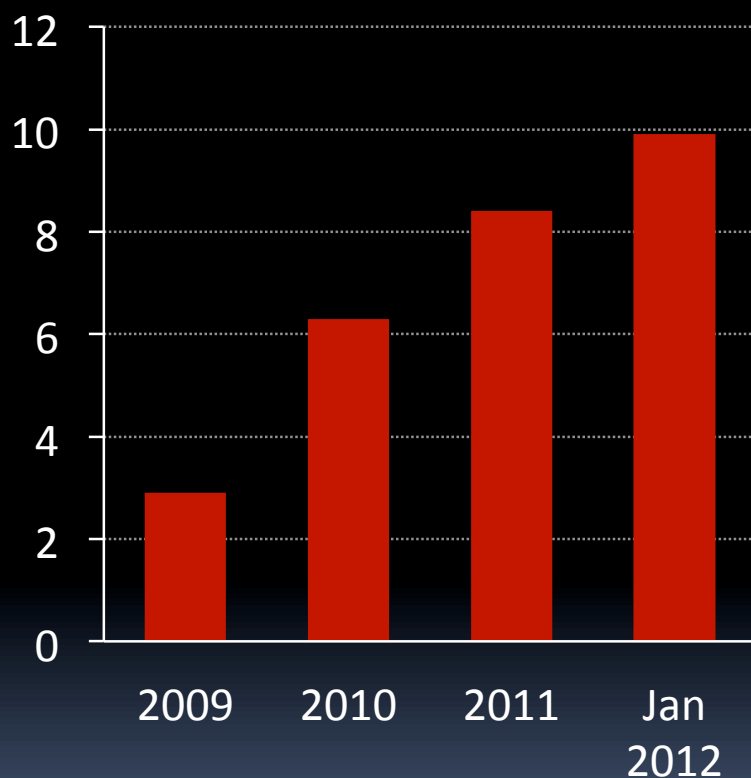
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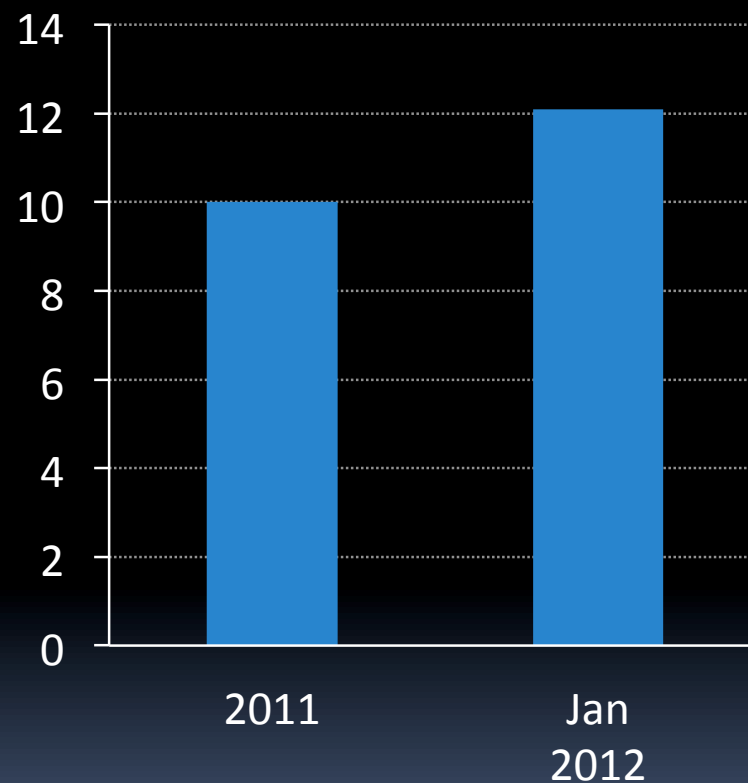


# Our Integrated Programs Have Been Highly Successful In The Marketplace

Maintenance Choice Lives



Pharmacy Advisor Lives



**Programs Driving Substantial Cost Savings  
And Improving Health Outcomes**

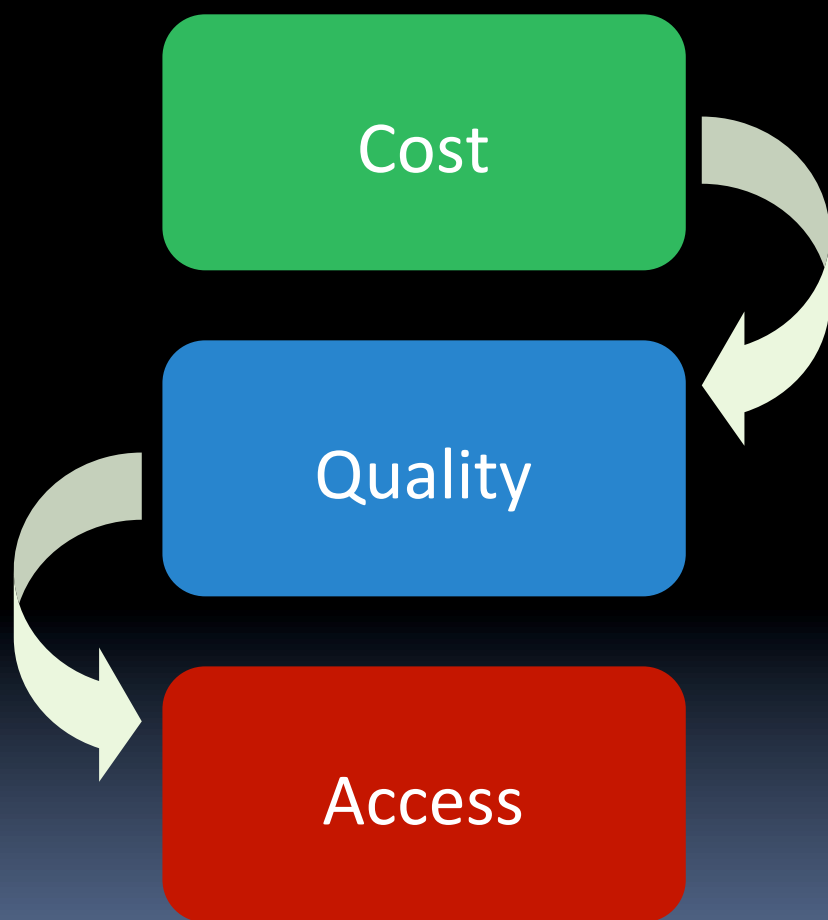


## PBM Clients Embracing Our Unique Offerings

- “The Recommendations We Continually Receive From CVS Caremark Have Been Essential In Helping Us Reduce Costs And Improve Employee Health And Safety” - *Mid-sized Employer*
- “The CVS Name Recognition Is Very High And Instills Trust In Our Employees That We Selected A Vendor Who They Can Rely On For Their Prescription Needs.” - *Mid-sized Employer*
- “Problem Free Pharmacy Services ... Employees Are Very Happy With The Service. And With The Size Of Our Population, That Is A HUGE Compliment. That Makes It Easy For Me.” - *Large Employer*



# Growing Cost-Quality-Access Dilemma Creates New Challenges And Opportunities

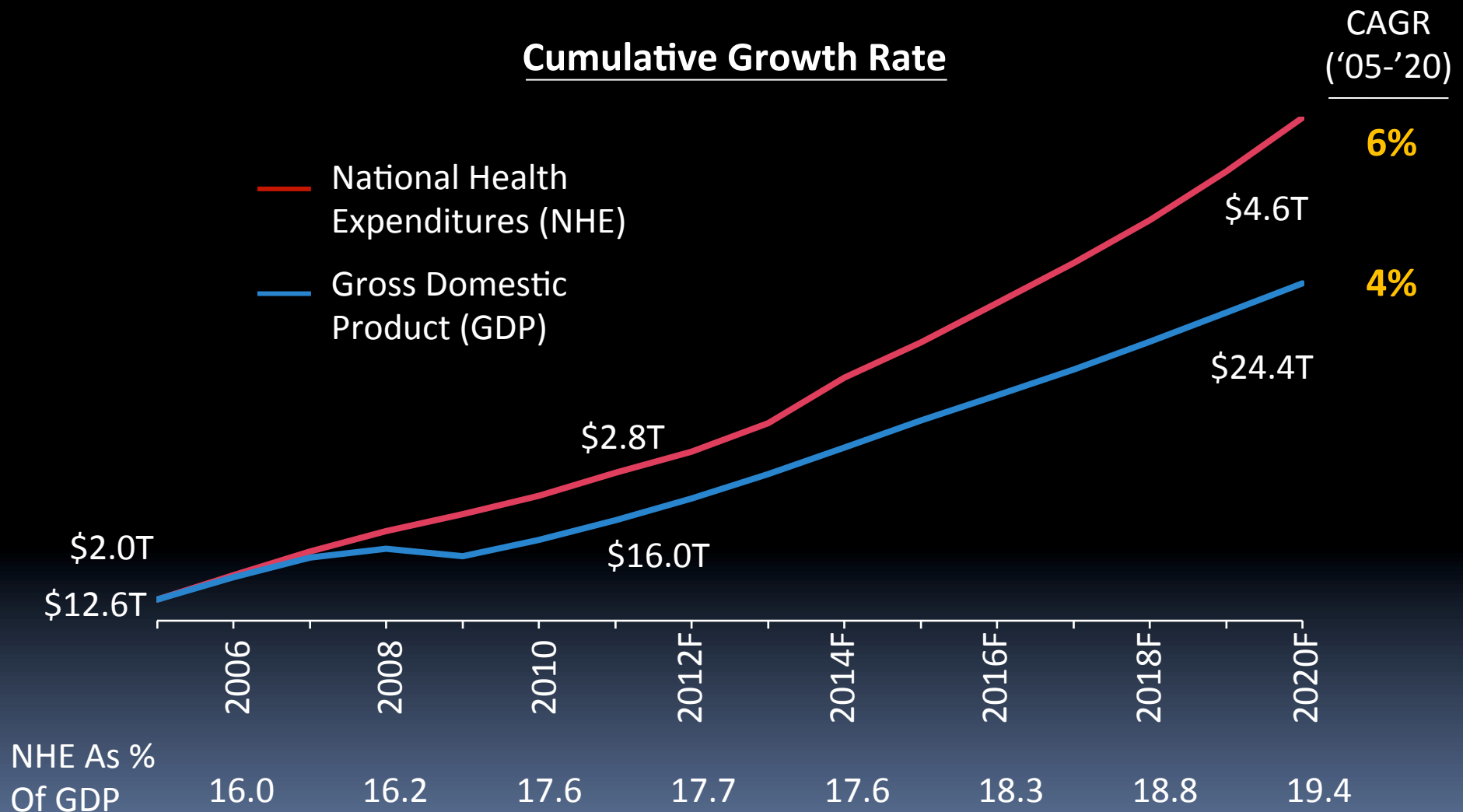


- 1 Disproportionate Growth In Health Care Spending ... Intensified By Aging Population
- 2 Insufficient Focus On Low-cost Solutions ... Too Much Emphasis On High Cost Care
- 3 Primary Care Shortage And Lack Of Integration
- 4 Emergence Of Retail Health Consumer



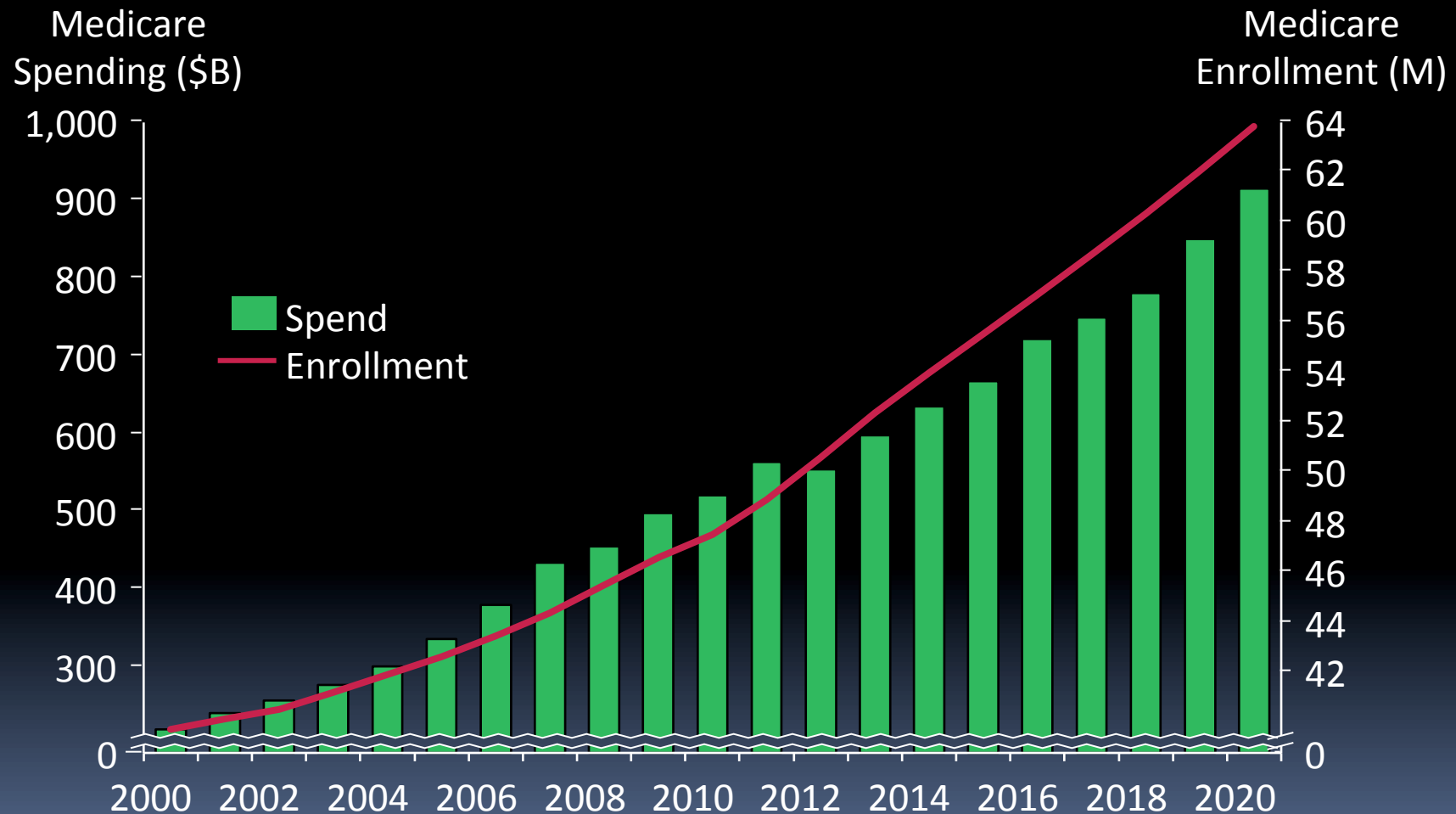
# Health Care Inflation Will Outpace GDP Growth

## Cumulative Growth Rate





# The Senior “Tsunami” Has Just Begun

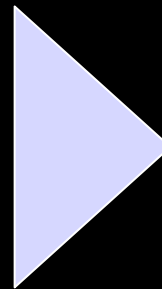




## Preventative Care Is Provided Too Infrequently

### Gap In Preventive Care Or Overuse

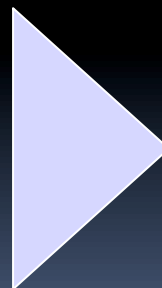
Only 51% Of Commercial Patients Ages 50-64 Received A Flu Shot In 2009



### Impact To System

Achieving Rates Of 90% Would Reduce Deaths By Over 15,000 Annually

21% Of Adults Visited An Emergency Room When They Could Have Been Treated By A Primary Care Doctor



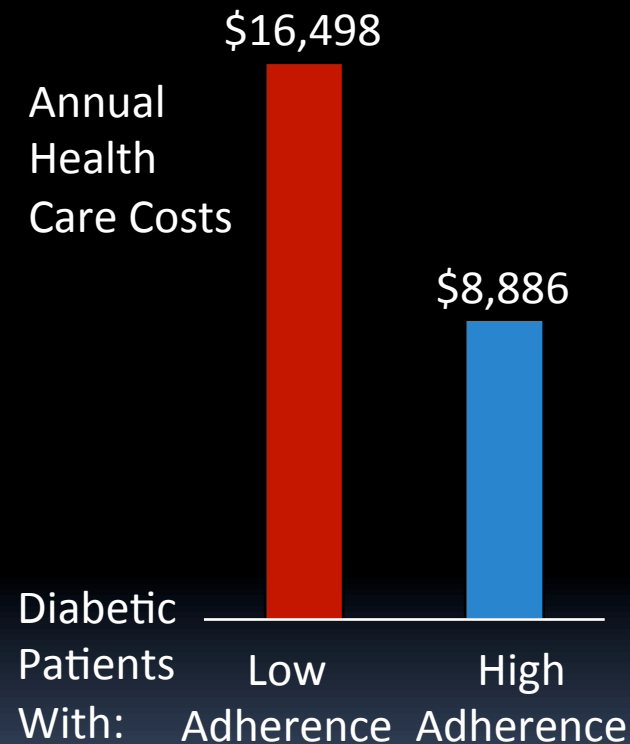
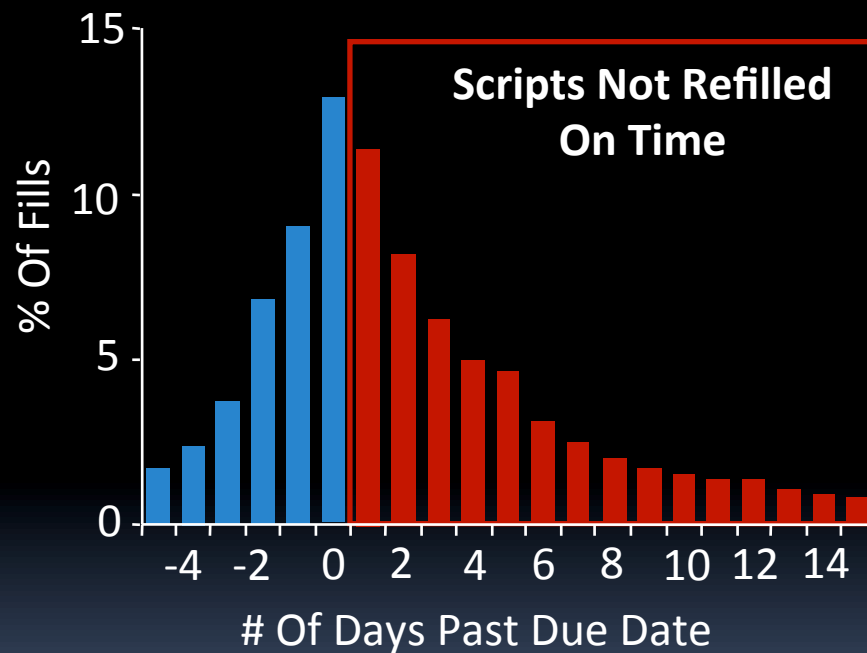
Avoidable Visits Are Responsible For \$38B In Health Care Spending



# \$300 Billion Medication Adherence Opportunity

More Than 60% Of Maintenance Scripts Are Not Refilled On Time

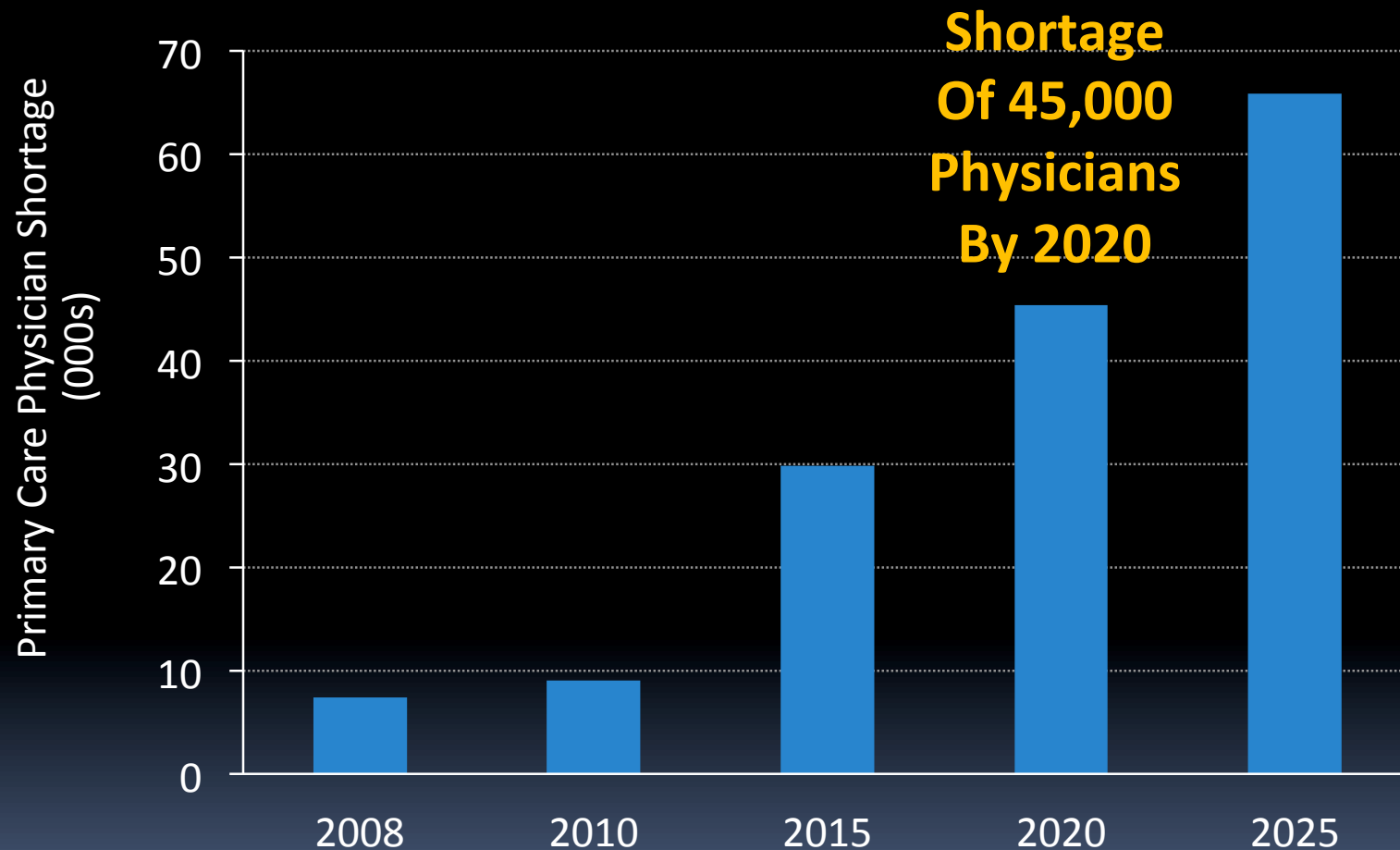
Costs For Non-adherent Patients Are Significantly Higher



**CVS Caremark Has A Unique Suite Of Offerings To Improve Adherence**



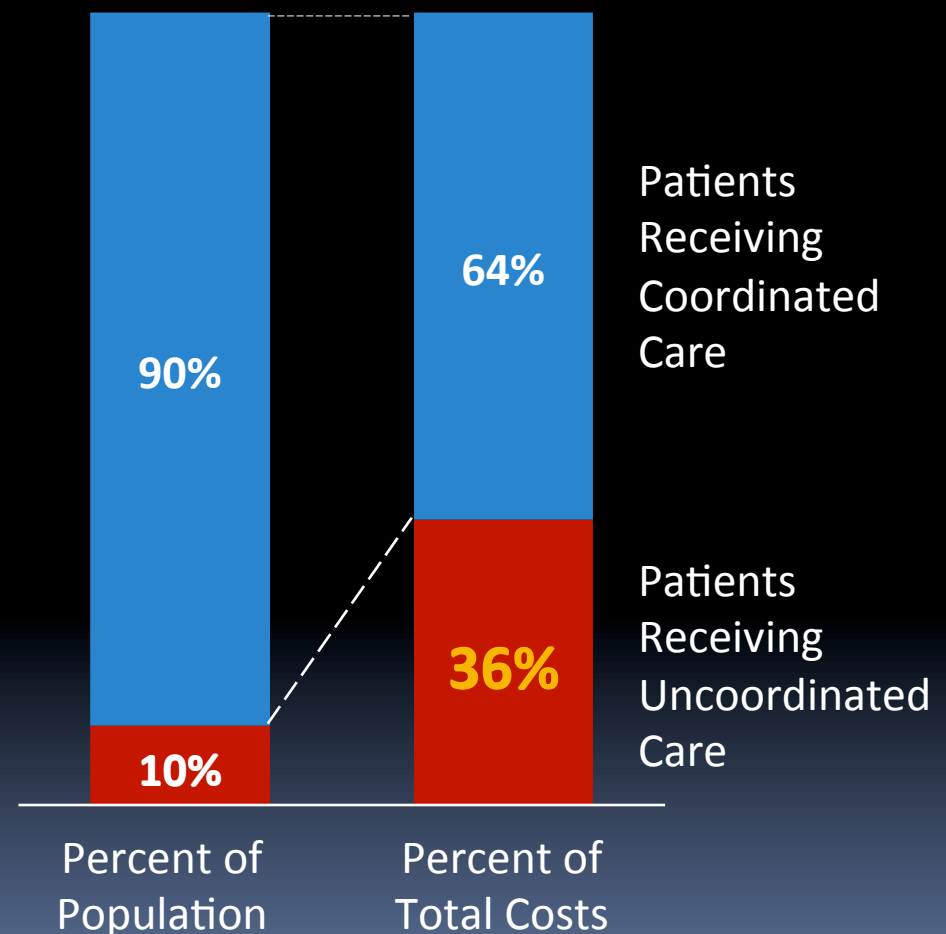
## Primary Care Shortage Is A Growing Concern





# Better Care Coordination Could Save \$200 Billion

	Annual Cost Per Patient
Patients Receiving Coordinated Care	<b>\$3,116</b>
Patients Receiving Uncoordinated Care	<b>\$15,100</b>



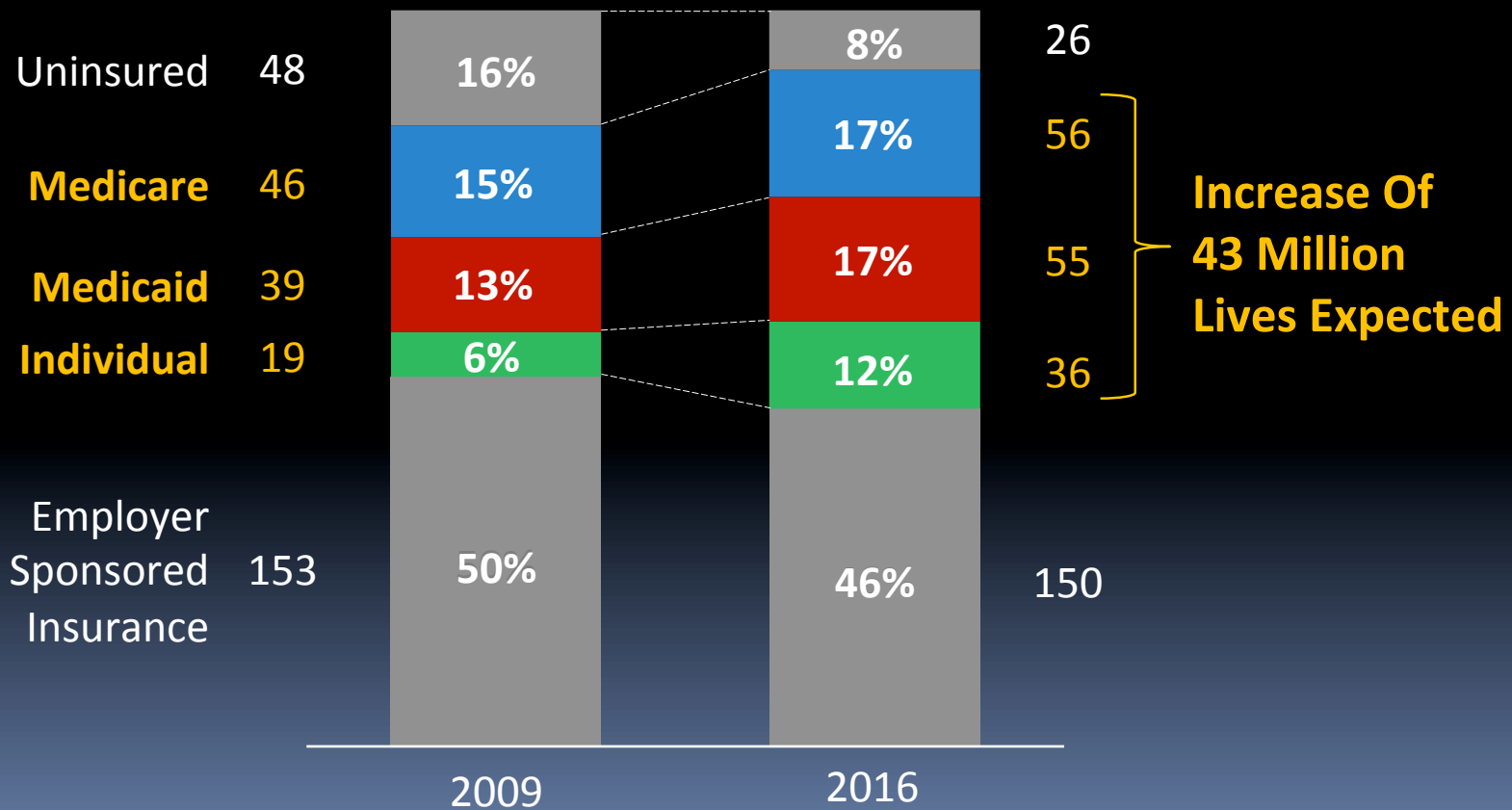


# Government & Individual Segments Will Grow By 45%

*Emergence Of Retail Health Consumer*

4

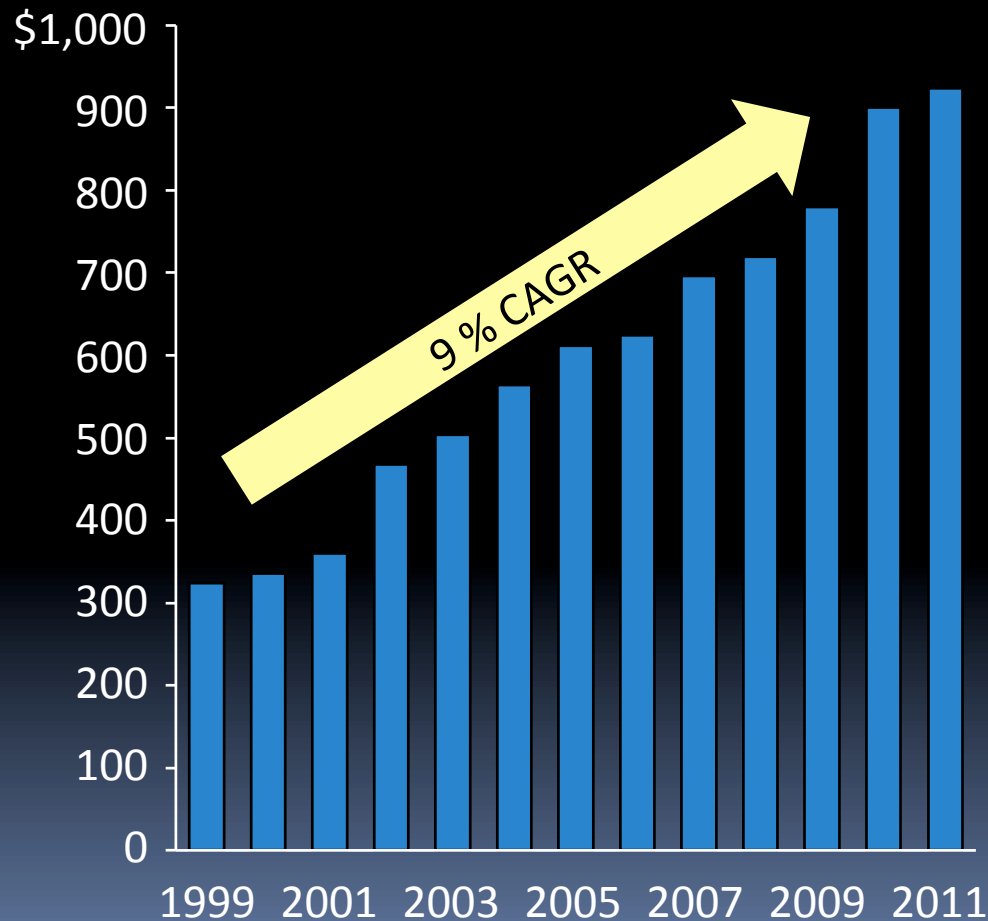
2009 vs. 2016 Health Care Coverage  
(Millions Of Lives)





# Consumers Will Face A Greater Cost Burden

Annual Worker Premium Contribution



Employees  
Who ...

2006 2011

... Have  
Deductibles  
Of > \$1,000

10% 31%

... Paid < \$20  
Co-pays For  
PCP Visits

50% 23%

... Pay > 25%  
Of Premium  
For Single  
Coverage

20% 25%



# Pharmacy Plays Important Role In The Solutions

## The Challenges:

1

Growth Health Care In Spending

2

Insufficient Focus On Low-cost Solutions

3

Physician Shortage And Lack Of Integration

4

Emergence Of Retail Health Consumer



## Role Of Pharmacy Health Care:

Savings Through Adherence

Cost-effective, Evidence-based Treatment

Pharmacists And NPs Provide Another Touchpoint

Innovative Consumer Solutions



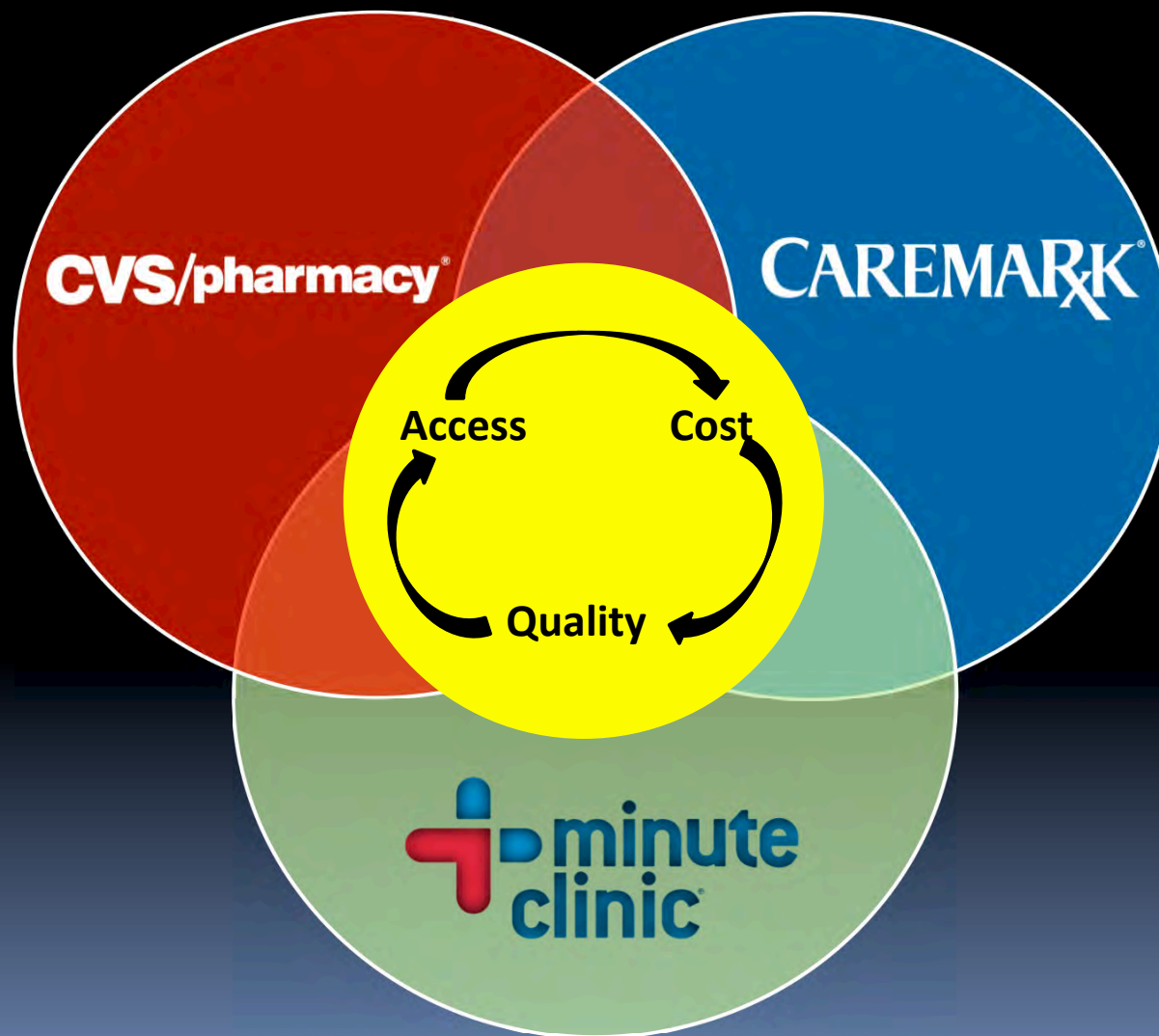
## Where The Pharmacy Market Is Headed...

- Payor / Patient Mix Significantly Impacts The Value Of Lives
- Market Share Gains Are Critical Offset To Margin Pressures
- Restricted / Preferred Networks Create Share Shift Opportunities
- Specialty Pharmacy Costs Continue To Grow Rapidly

**Reinventing Pharmacy Will Create Value  
For All Stakeholders**



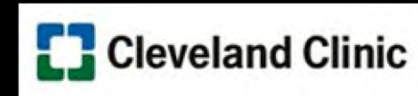
## Capitalizing On Our Integration “Sweet Spots”





# Capitalizing On Our Integration “Sweet Spots”

- Winning In Medicare
- Integrated Specialty
- Maintenance Choice 2.0
- Pharmacy Advisor 3.0
- Digital Strategy
- Health System Affiliations
- Caremark Member Care At MinuteClinic





# Innovation With A Purpose

**CVS**  
**CAREMARK**

**We are:**  
A pharmacy innovation  
company

**Our purpose:**  
Helping people on their  
path to better health

**Our strategy:**  
Reinventing pharmacy

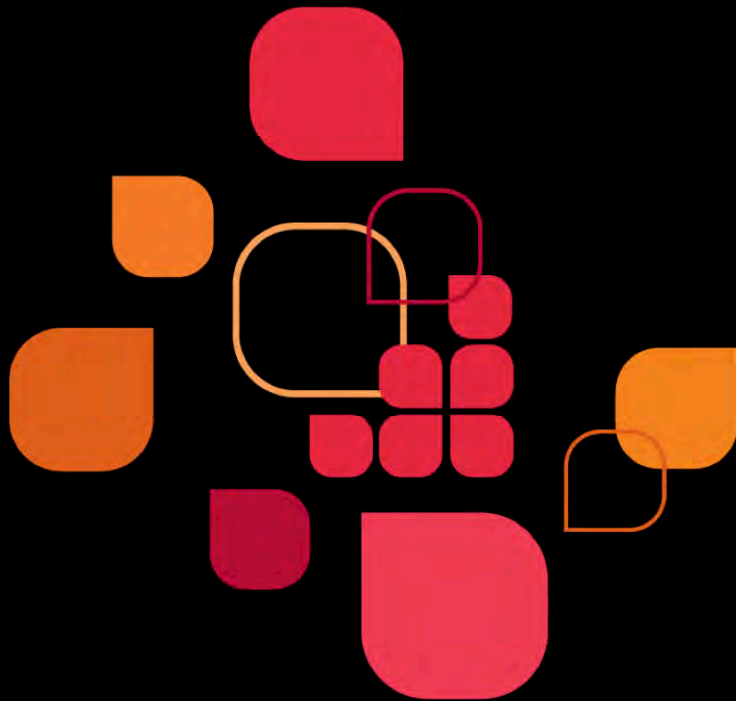
**Our values:**  
Innovation  
Collaboration  
Caring  
Integrity  
Accountability



## Reinventing Pharmacy For Better Shareholder Value

- Set Achievable Goals In 2011 And Delivered
- Positioned For Strong Growth In 2012 And Beyond
- Focused On Continued Leadership In Our Core Businesses
- Driving Pharmacy Innovation To Solve Key Health Care Issues
- Capitalizing On The Power Of Our Integration “Sweet Spots” To Drive Superior Long-term Growth And Value





**CVS**  
**CAREMARK**

## PBM Leadership & Integration “Sweet Spots”

Per Lofberg  
President, Caremark

2011  
**analyst**  
day



## Building A Winning Strategy For The Future

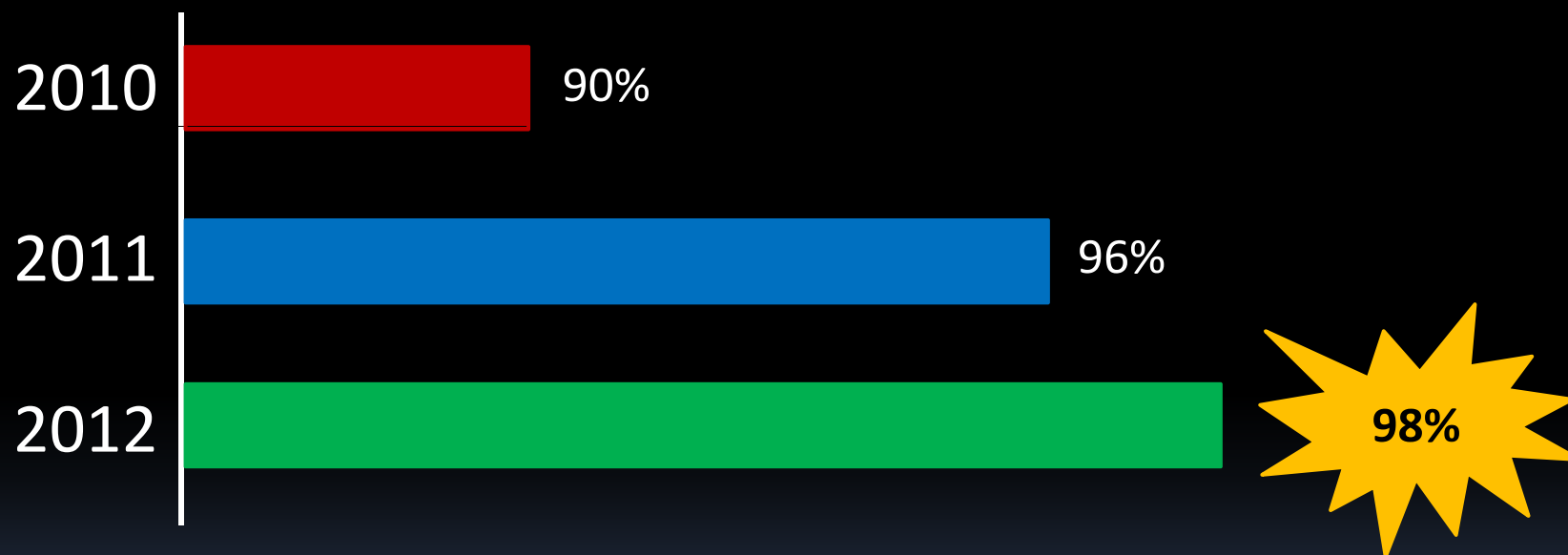
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- Re-establishing Success In A Competitive Market
- Establishing Leadership In Emerging Market Segments
- Streamlining Operations And Implementing State-of-the-art Technology Solutions To Improve Productivity
- Developing Innovative Solutions That Capitalize On Our Integration “Sweet Spots”
- Building A Strong Leadership Team And Organization



# 2012 Selling Season Successful: Strong Client Retention

## Renewal Progress





# 2012 Selling Season Successful: Significant New Wins

## Selling Season Update

2012 Impact  
Net-new Sales



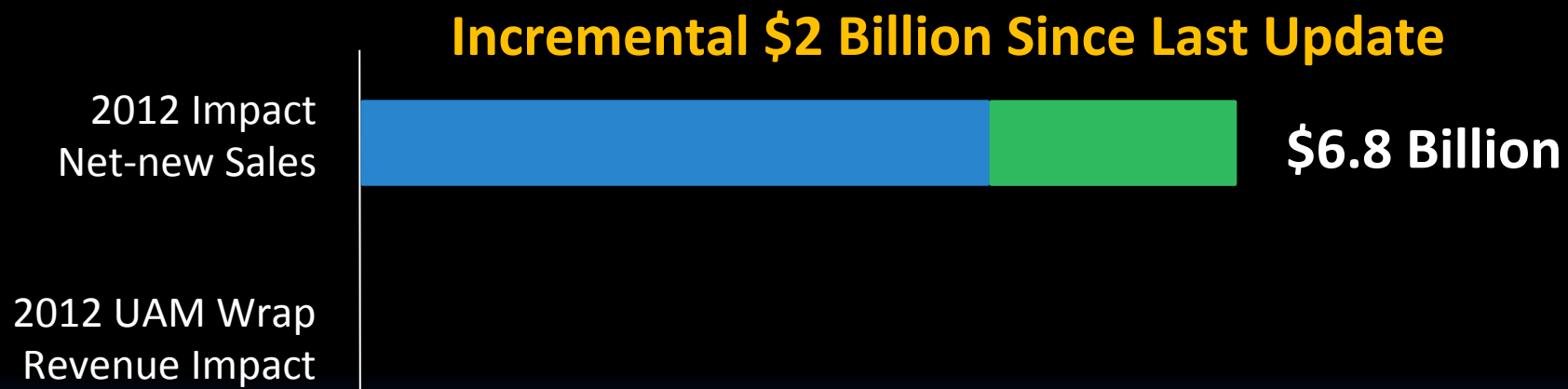
**\$4.8 Billion**

2012 UAM Wrap  
Revenue Impact



# 2012 Selling Season Successful: Significant New Wins

## Selling Season Update





# 2012 Selling Season Successful: Significant New Wins

## Selling Season Update

**Incremental \$2 Billion Since Last Update**

2012 Impact  
Net-new Sales



**\$6.8 Billion**

2012 UAM Wrap  
Revenue Impact



**\$5.5 Billion**

**Total 2012 Net-new Sales**

**\$12.3 Billion**



# Key New Client Wins Include Strong Adoption Of Our Unique Integrated Programs



## Client Size

> 5m Members

400k Members

350k Members

300k Members

70k Members

50k Members

## Maintenance Choice







# \$23 Billion In Net-new Business In 2011 And 2012

## Cumulative Net-new Business

*Billions*

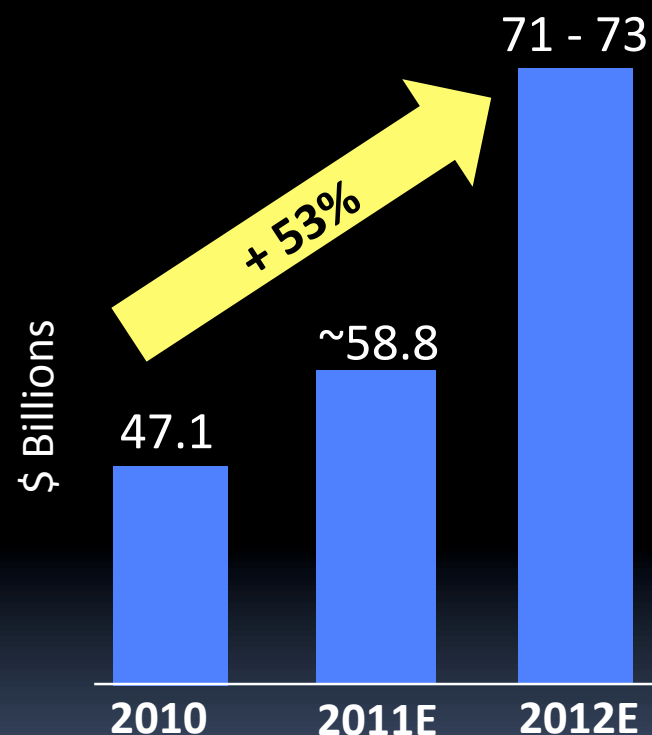
2011 Net-new: \$10.8

2012 Net-new: \$12.3

**Two-year Total: \$23.1**

- Aetna: \$ 8.4
- UAM Med D: \$ 6.9
- Med D/Medicaid: \$ 3.8
- Employer: \$ 4.9
- BCBS/HP: (\$0.8)

## Total Revenues





# Medicare Is Quickly Emerging As The Major Payer For Prescription Drugs In America

---

- Traditional Employer-sponsored Drug Coverage For Retirees Is Being Replaced By Medicare Plans:
  - EGWP: Plans That Combine Medicare Coverage With Employer-sponsored Wrap-arounds
  - PDP: Plans That Are Chosen Directly By Consumers
  - MA-PD: Plans That Are Sponsored By Health Plans But Funded By Medicare
- Retirees Below Income Thresholds Are Eligible For Low-income subsidies
  - Automatically Assigned By Medicare Based On Annual Bid Process



# Caremark Is Building A Leading Presence In The Medicare Part D Market

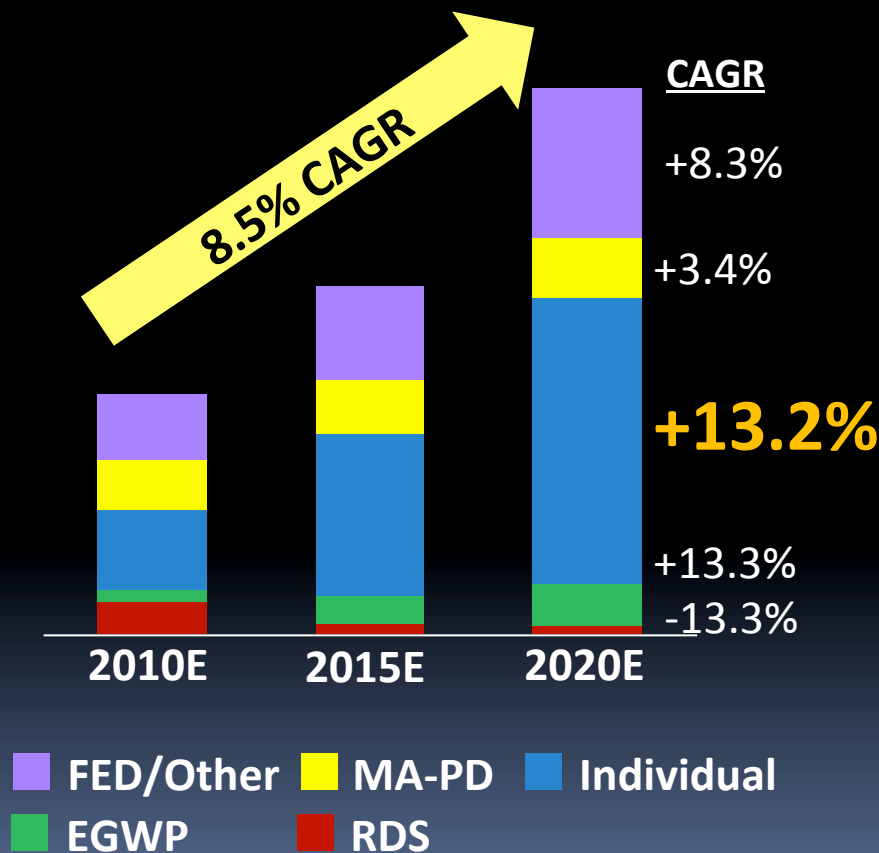
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- Acquisition of UAM PDP Bolstered Our Legacy PDP Business
- Serve As PBM To 40 Health Plan Clients Who Offer MA-PDs And PDPs
- Support Employers With RDS-subsidy Enrollees
- Substantial Investment In 2011 And 2012 In State-of-the-art Systems To Support Complex Regulatory Requirements

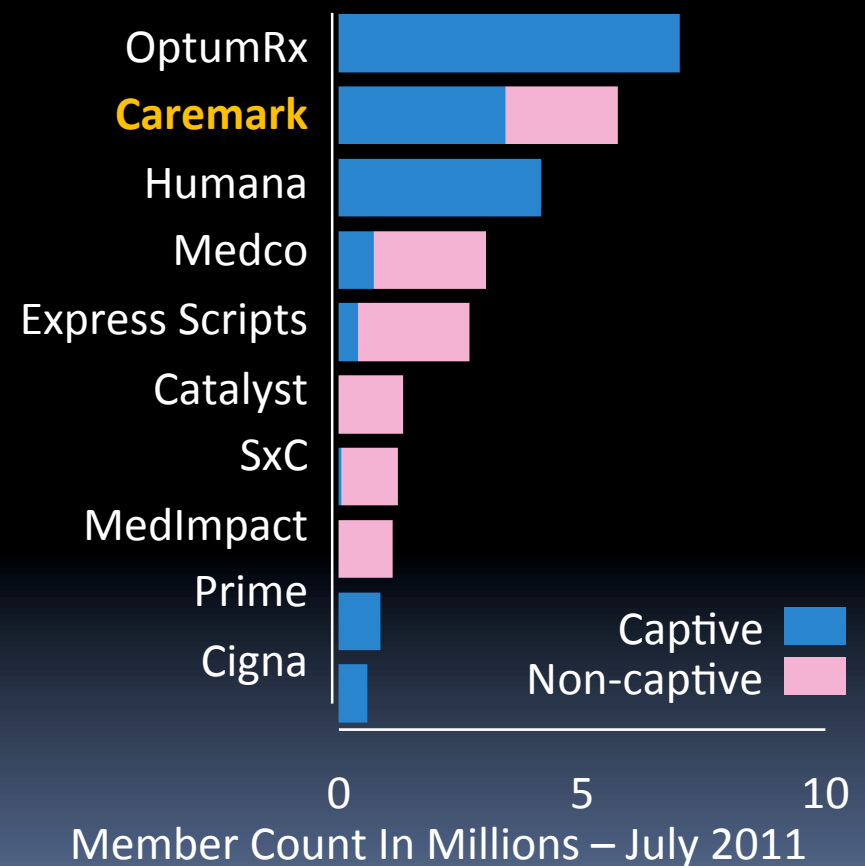


# Medicare Market Is Growing Rapidly And Consolidating

Drug Spend By Medicare-Eligibles



Medicare Members Served By PBM





# Health Care Reform Is Accelerating Growth In Managed Medicaid Plans

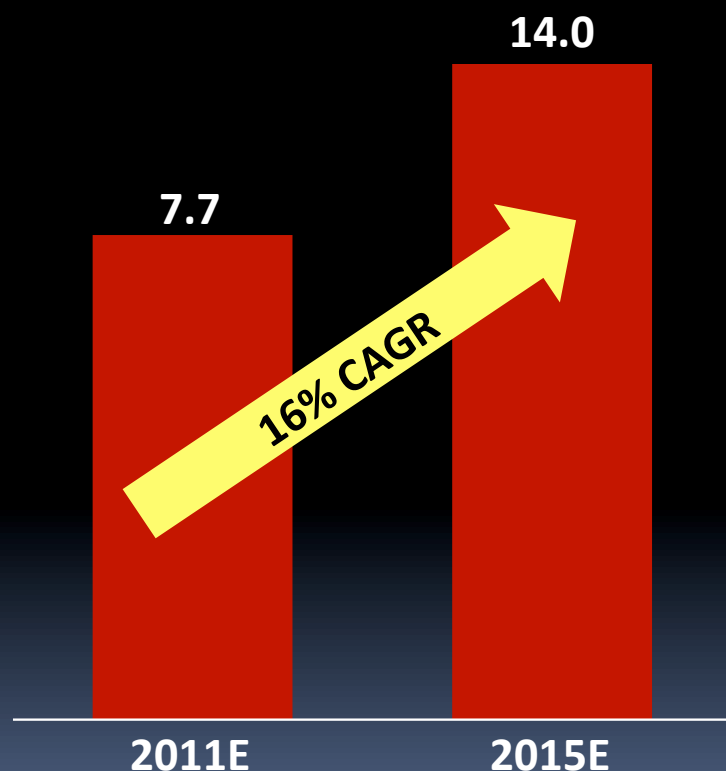
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- Up To 15 Million Additional Americans Will Receive Drug Coverage Under Medicaid By 2014
- States Converting From Fee For Service To Managed Medicaid Can Achieve Significant Cost Savings
  - Lewin Group Analysis Estimates \$ 30 Billion Savings In 10 Years To States Adopting Managed Care
  - Examples: New York, Ohio, Texas, Kentucky, Louisiana And Washington

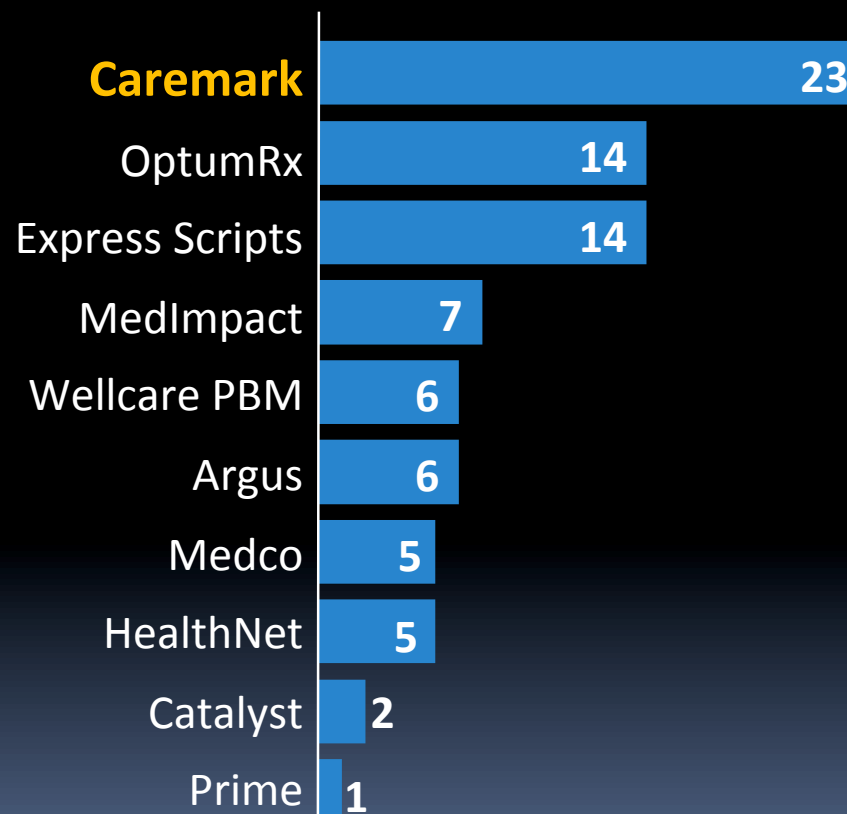


# Managed Medicaid Prescription Drug Market Is Growing And Caremark Is Well-positioned

Projected Managed Medicaid Drug Spend (\$B)

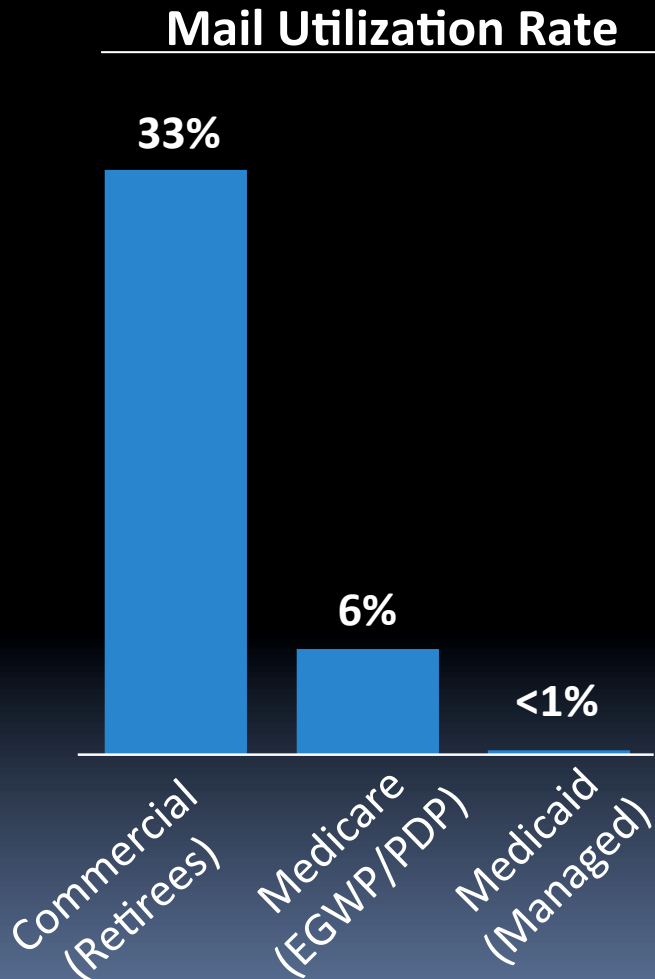


2011 Managed Medicaid PBM Market (Estimated % Of Lives)





## PBM Model In Medicare And Medicaid Differs Significantly From Traditional Retiree Coverage: Lower Mail Utilization

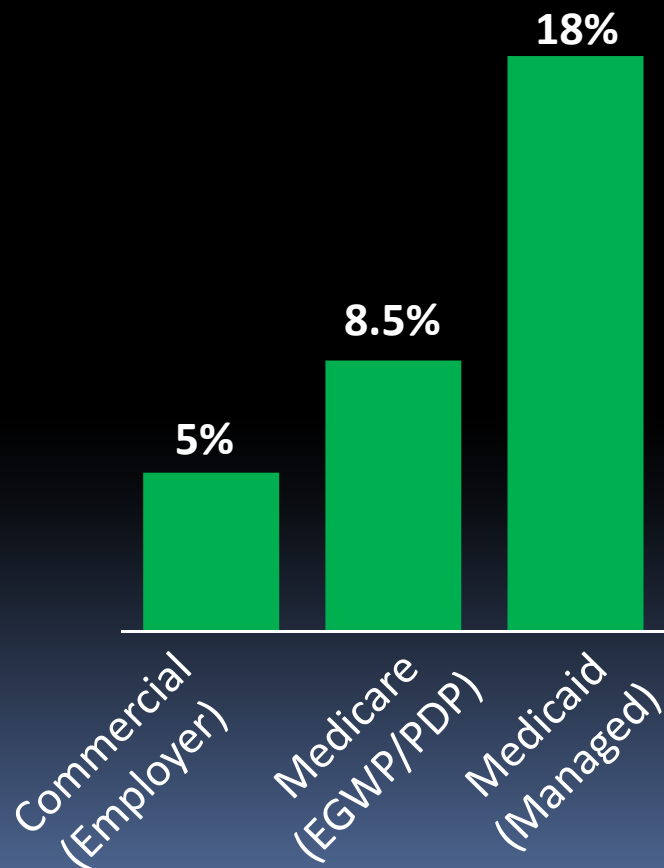


- Limited Opportunity For Mail-focused Plan Designs In Medicare And Medicaid
- Caremark's Business Model And Client Value Proposition Is Not Limited To Driving Mail Utilization



## PBM Model In Medicare And Medicaid Differs Significantly From Traditional Retiree Coverage: Restricted Retail Networks

**Restricted Retail  
Network Lives**

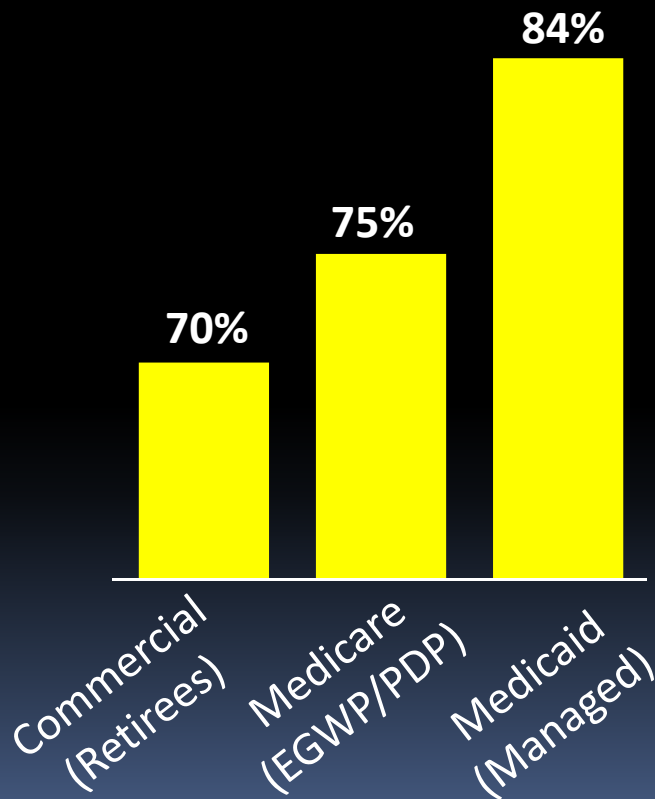


- Medicare And Medicaid Plans Often Deploy Restricted Or Preferred Retail Networks
- Individual Plan Purchasers Will Accept Network Restrictions For Increased Savings
- Caremark Is Uniquely Qualified To Offer Innovative Retail Network Designs



## PBM Model In Medicare And Medicaid Differs Significantly From Traditional Retiree Coverage: Higher Generic Dispensing

### Generic Dispensing Rate



- Medicare And Medicaid Populations Typically Have High Generic Utilization, Driven By Cost-focused Plan Designs
- Caremark Can Promote Generic Utilization In These Growing Populations



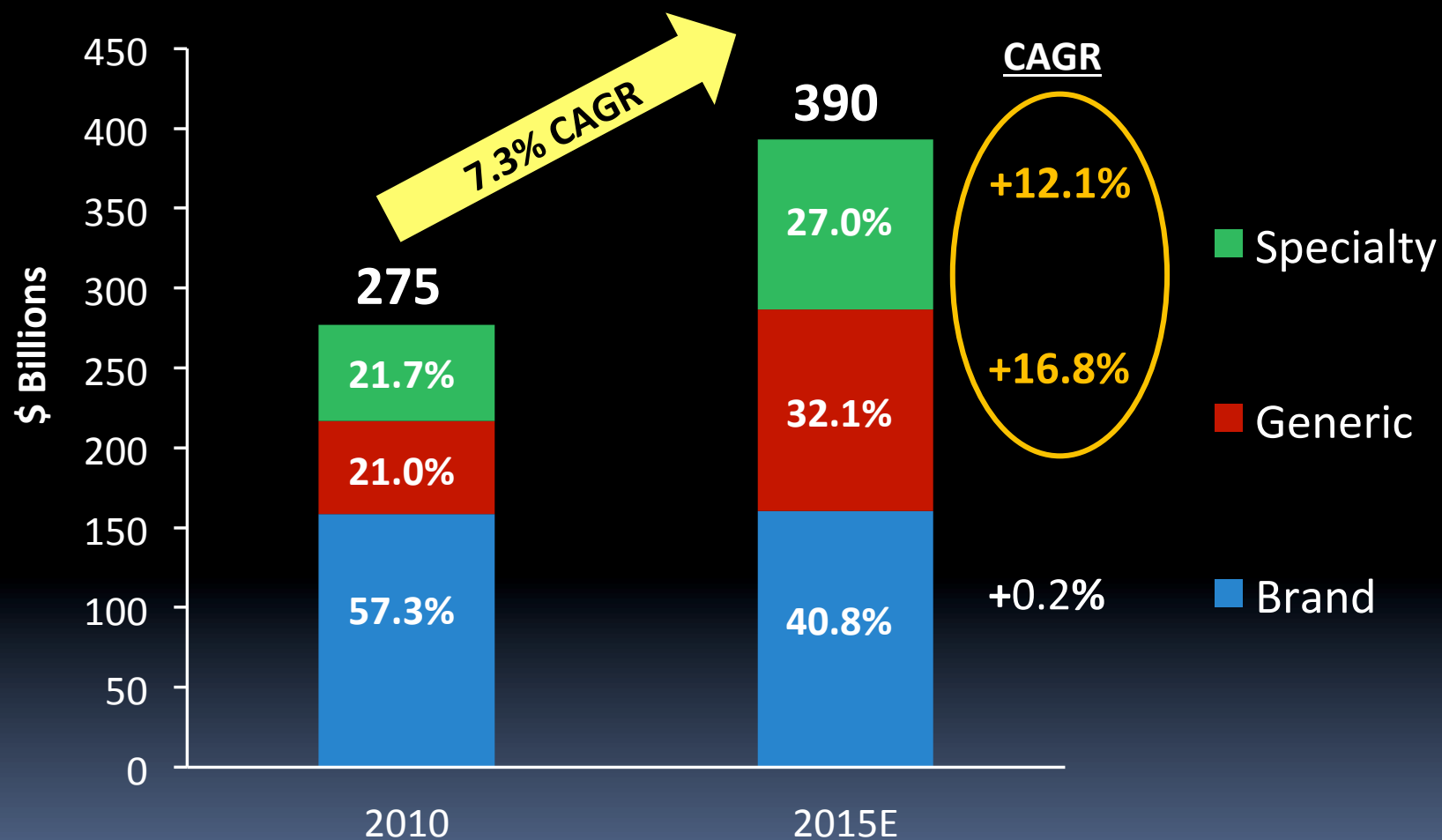
# Well-positioned For PBM Business

## Model Of The Future

	Mail Order	Restricted / Preferred Networks	Generics	Insurance Profit
Commercial	++	+	++	n/a
Medicare	-	++	++	+
Medicaid	--	++	+++	n/a

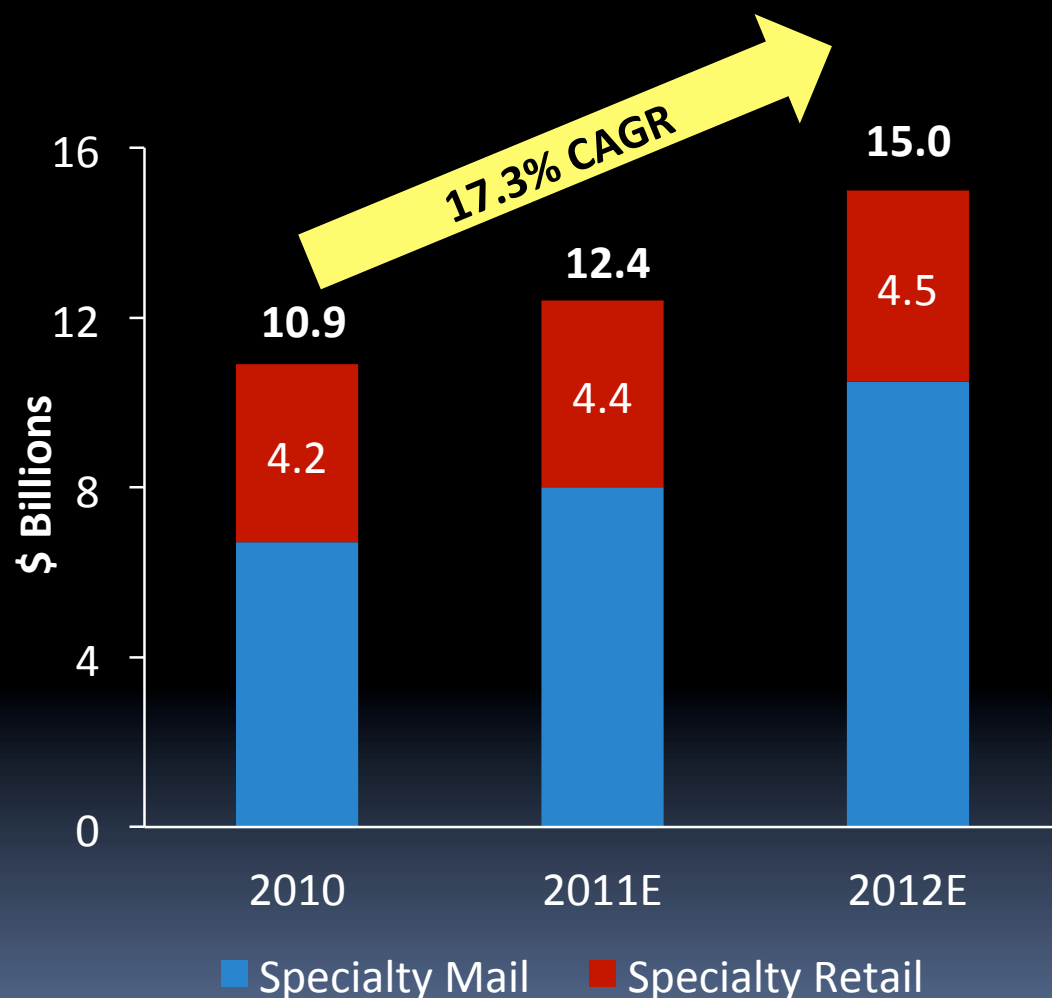


# Generics And Specialty To Drive Pharmacy Market Growth





# We Are A Leading Provider Of Specialty Pharmacy Services

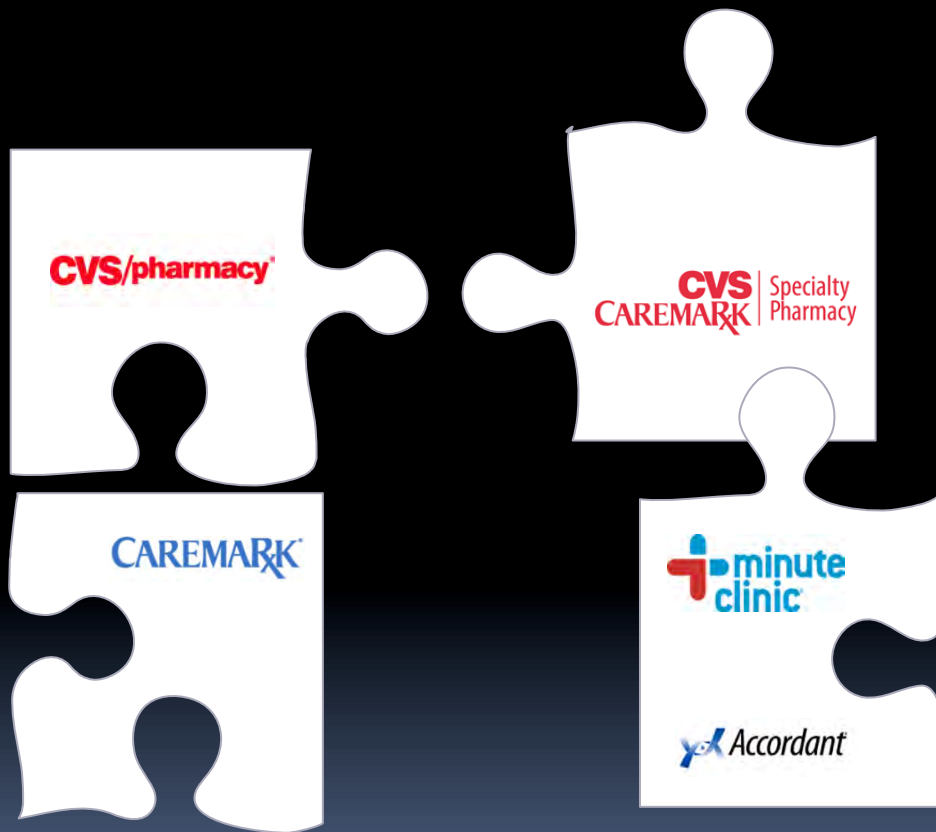


- Streamlining Fulfillment And Clinical Operations
- Investing In Technology
- Introduced Programs To Manage Drugs Covered Under The Medical Benefit



# Integrated Specialty Solution: A Unique Service Offering For Specialty Patients

CVS Caremark Currently Serves Specialty Patients Through Many Enterprise Assets





# Integrated Specialty Solution: A Unique Service Offering For Specialty Patients

Integrating Into One Solution Will Create Improved Outcomes –  
With The Lowest Total Cost Of Care



- Easy To Use For Patients And Providers
- Industry-leading Standard Of Care Across Channels
- Enterprise-wide Best-in-class Outcomes And Utilization
- Most Flexible Convenient Service Options



# Seamless Patient Experience: Efficiently Meeting Specialty Patient And Prescriber Needs

## Patient Intake

CVS/pharmacy Convenience;  
Benefit Verification, Status  
Update To Prescriber



## Clinical Assessment

Education And Self-injection  
Training By CVS/pharmacy  
Pharmacist Or MinuteClinic  
Nurse Practitioner



## First Fill Counseling

Face-to-face Support  
From An Expert Clinical  
Pharmacist



## Case/Adherence Management

Telephonic And Face-  
to-face Engagement ;  
Clinical Re-assessment  
With Feedback  
To Prescriber



## Retail Or Mail Dispensing

Specialty And Traditional  
Medications; Enable Patient  
Access And Adherence

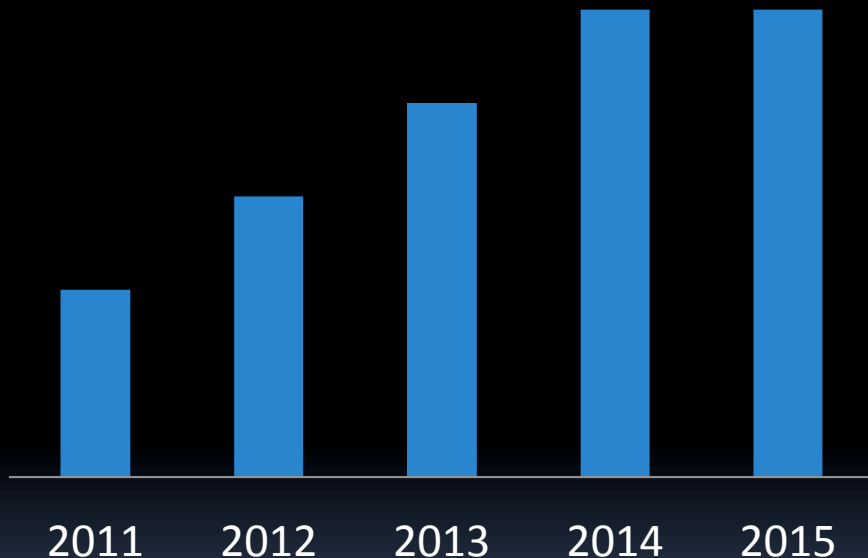


Refill  
Process



# Streamlining Initiative Expected To Deliver More Than \$1 Billion In Savings From 2011 Through 2015

\$225 to \$275 Million In  
Estimated Annual Savings



**Savings Will Exceed Costs In 2012**

- New Automated Mail Pharmacy On Line In The Back Half Of 2012
- Platform Consolidation Progressing Toward 2013 Completion
- Caremark.com Redesign To Improve Member Experience
- Workflow Process Redesign To Improve Efficiency
- Continued Facilities Consolidation



# Developing New Capabilities To Address Important And Emerging Customer Needs

## **PBM – Specific**

- Unique Specialty Medical Benefit Management Program
- Restricted/High-performance Networks
- Pharmacogenomics
- Piloting *Re-admission Prevention* Program, Leveraging Pharmacist Role

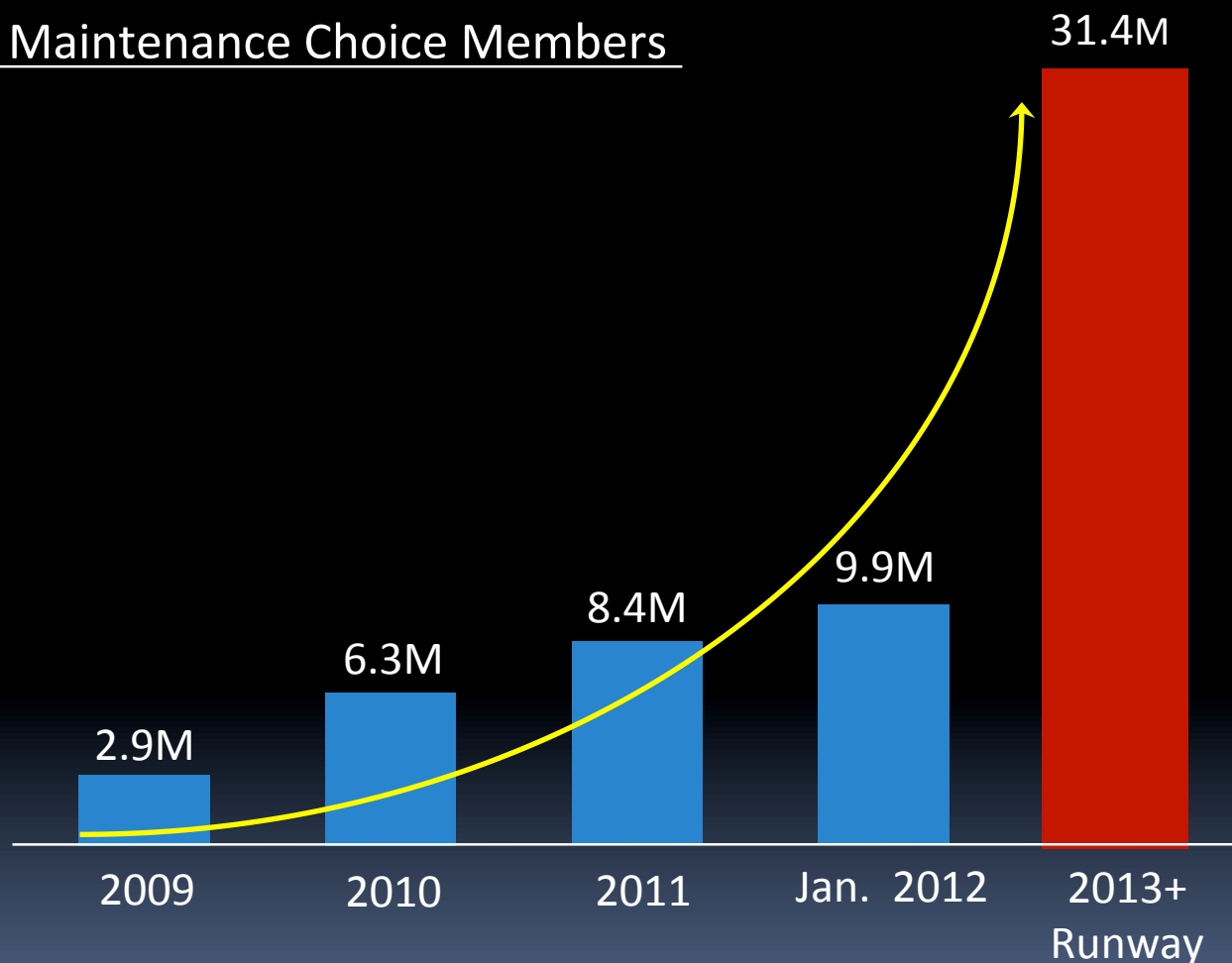
## **Integration “Sweet Spots”**

- Winning In Medicare
- Integrated Specialty Pharmacy
- Digital Strategy
- **Maintenance Choice 2.0**
- Pharmacy Advisor 3.0
- Caremark Member Care At MinuteClinic
- Health System Affiliations



# Maintenance Choice 2.0: Potential Membership Expansion

Maintenance Choice Members



Limited Roll-out In 2012, With Broader Roll-out In 2013+



# Maintenance Choice 2.0 Enhances Flexibility For Consumers And Lowers Costs For Patients And Payors

Maintenance Choice

Maintenance Choice 2.0

- Mandatory Plan Design Required To Drive 90-day Utilization
- Mail-order Pharmacy Distinct From CVS/pharmacy
- Binary Choice For Consumer (Mail Or CVS/pharmacy)
- No Plan Design Changes Required To Gain 90-day Economics For Patient And Payor
- Mail-order Pharmacy Integrated With CVS/pharmacy
- Complete Flexibility For Consumers To Alternate Between Mail And CVS/pharmacy



# Reinventing Pharmacy: Maintenance Choice 2.0

- Unmatched Convenience, Connectivity For Members
- Easier Prescription Management, 90-day Prescriptions Improve Outcomes
- Client's Overall Savings Improve

## Order



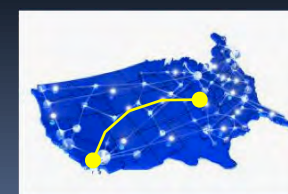
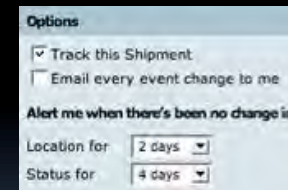
## Fill



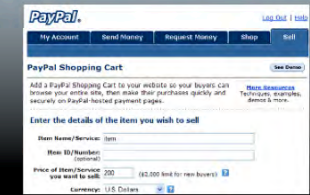
## Ask



## Track



## Pay





## Reinventing Pharmacy For Better Shareholder Value

---

- Continued Momentum In New Business Wins And Retention
- Develop And Up-sell Innovative Offerings That Capitalize On Our Integration “Sweet Spots”
- Drive Growth In 90-day Mail Choice And GDR
- Focus On Growth In Medicare, Medicaid And Specialty
- Continued Execution On The PBM Streamlining Initiative





**CVS**  
**CAREMARK**

## Retail Pharmacy Leadership & Integration “Sweet Spots”

Mark Cosby  
President, CVS/pharmacy

2011  
**analyst**  
day



## ■ Pharmacy Is A Great Place To Be...

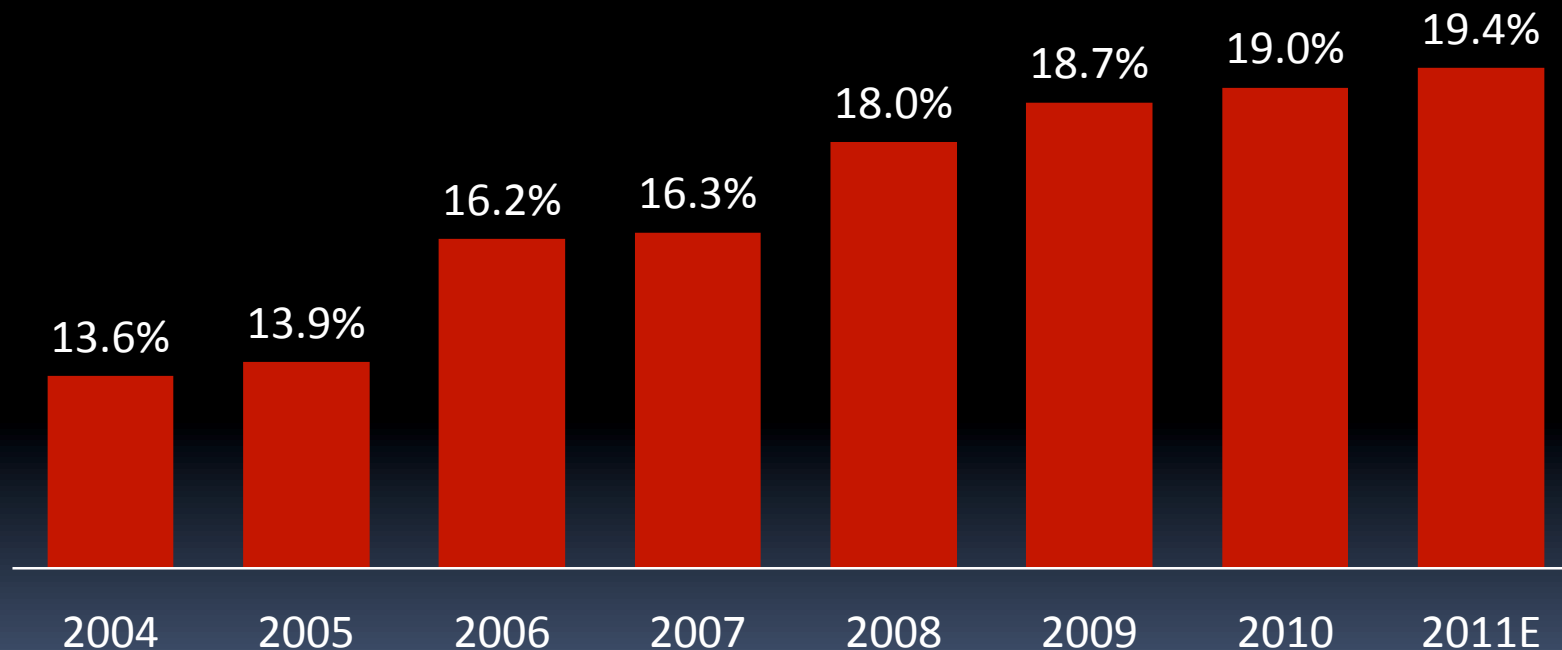
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- Generic Waves Drive Profitability
- Aging Population Drives Utilization
- Health Care Reform Increases Covered Lives
- Face-to-face Interactions Improve Patient Care



## ... And CVS/pharmacy Continues To Gain Share

CVS/pharmacy Share Of Total U.S. Prescription Market





# Key Opportunities To Drive Future Growth

---

- Driving Front Store Growth Through...
  - Unique Customer Insights With ExtraCare
  - Enhanced Digital Capabilities
  - Store Clustering ...“My CVS”
  - Differentiated Store Brands
- Driving Pharmacy Growth Through...
  - Superior Customer Service
  - Increased Access
  - Patient Care Improvements
  - Capitalizing On Our Integration “Sweet Spots”



# The CVS Difference...

## ExtraCare And Advanced Insights

**275** Million Unique Cards Issued

**69** Million Active Households

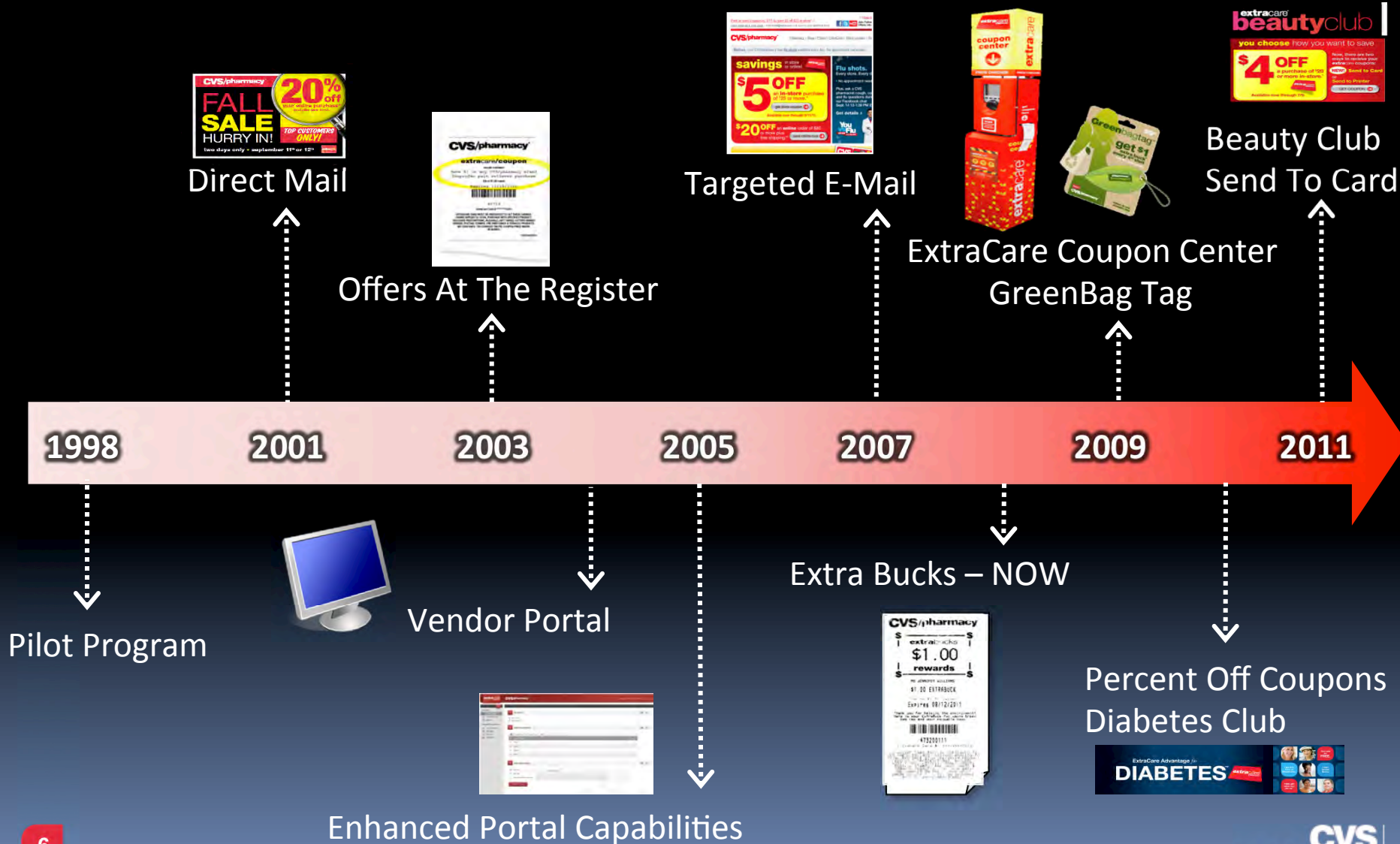
**67%** Of Front Store Transactions

**82%** Of Front Store Sales



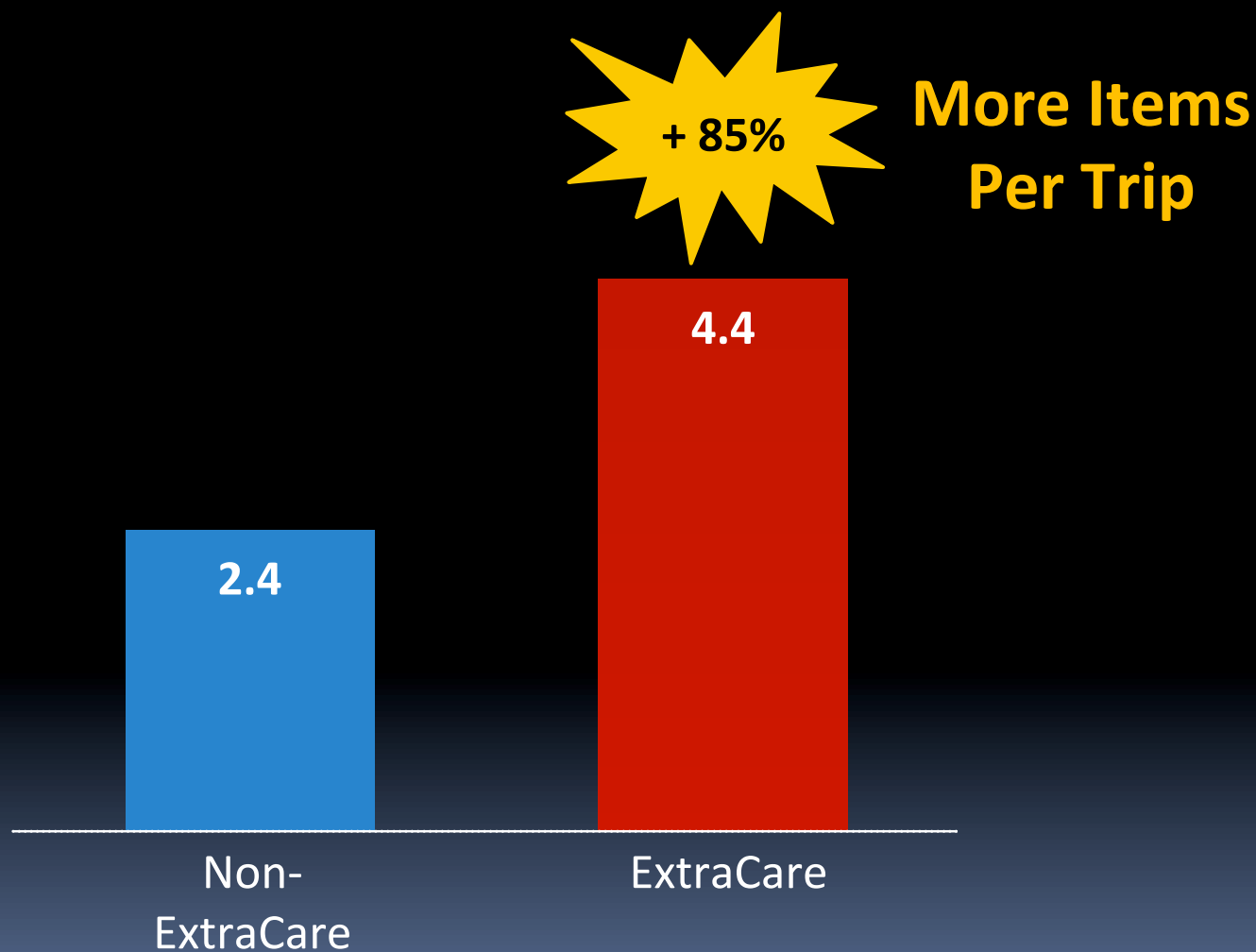


# Our 14-year ExtraCare Experience Is A Big Competitive Advantage



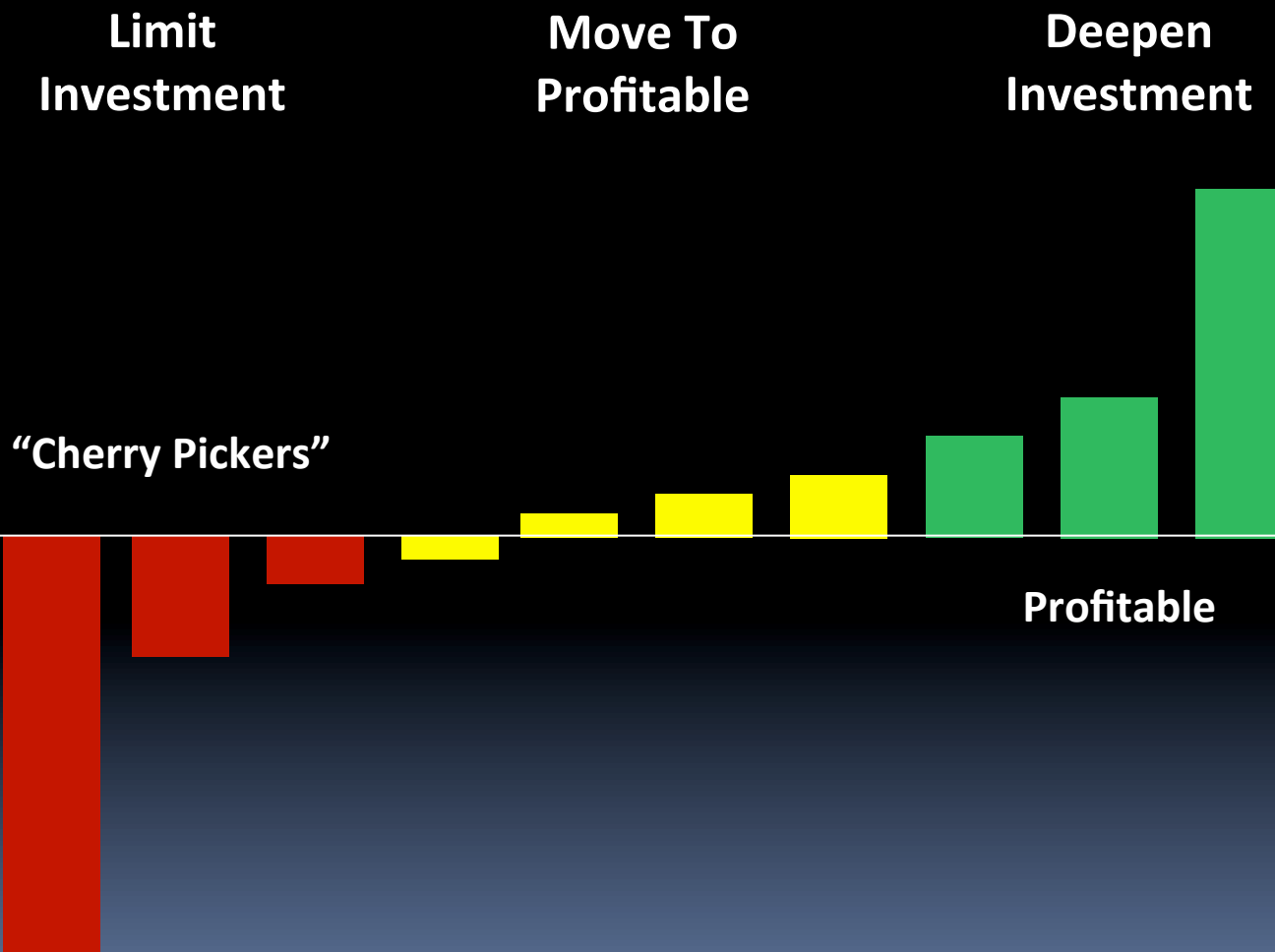


# ExtraCare Customers Spend More





# Targeted Investments To Drive Profitable Sales...

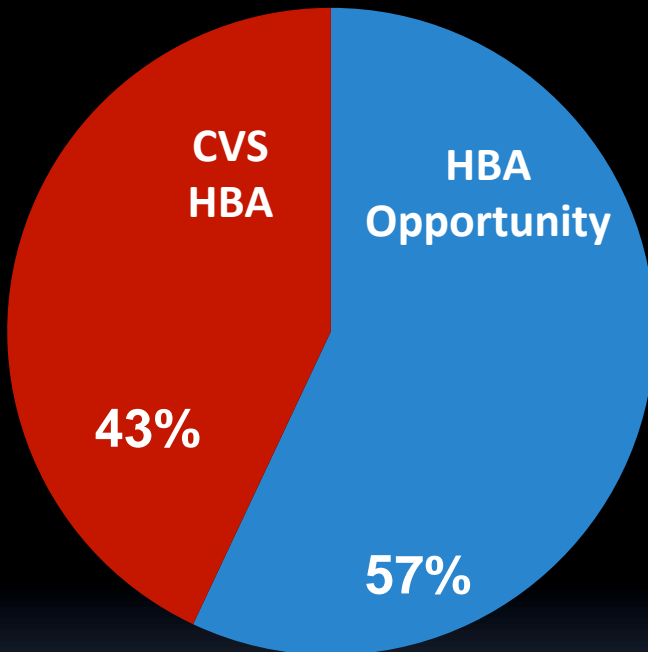




## ...Will Continue To Expand Share of Wallet

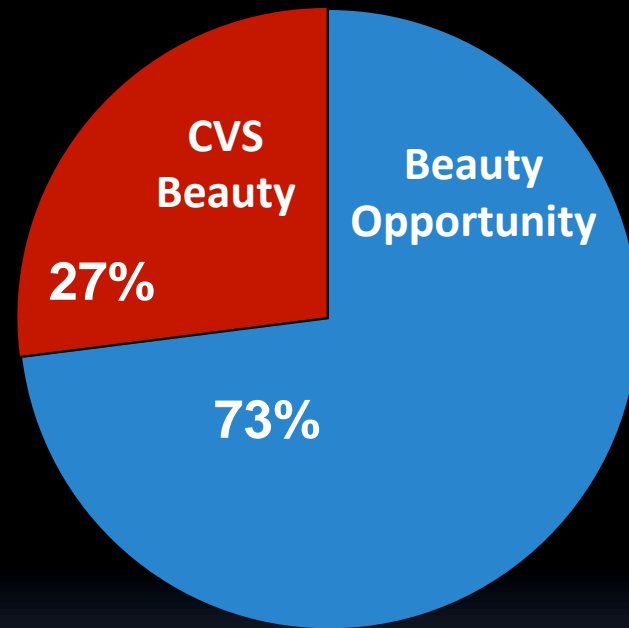


Top Customers



**More Than Half Of Top Customers' HBA Needs Are Met Elsewhere ...**

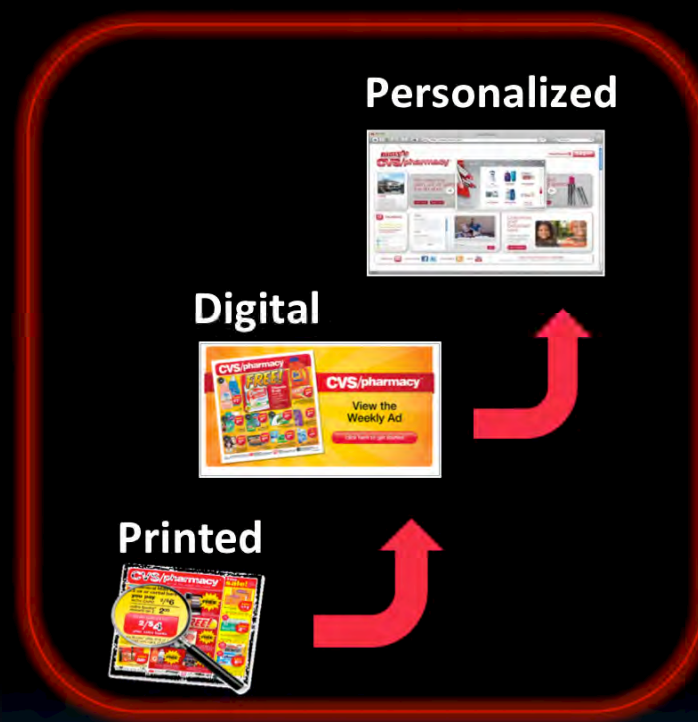
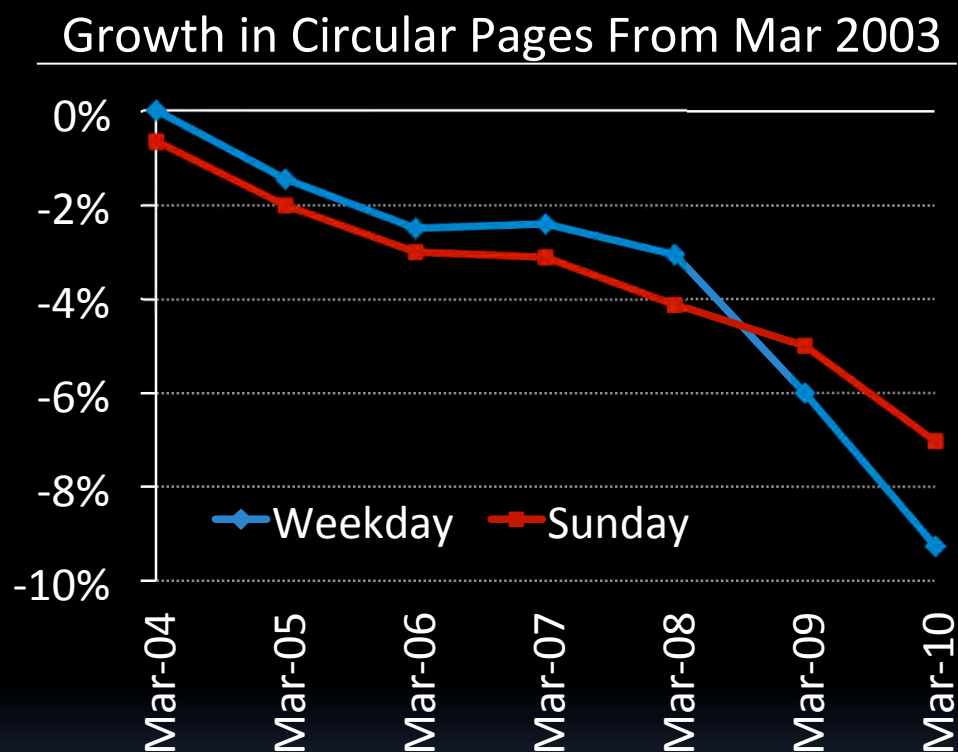
Top Beauty Customers



**... This Upside Represents A \$1.5 Billion Opportunity In Beauty Alone**



# ExtraCare Is Replacing Circular Pages Over Time ...



**...And Driving More Profitable Sales**



## ■ We Will Take ExtraCare To The Next Level

---

- Optimized Promotions
- Harvest Beauty Club
- Pilot “Healthy Rewards”
- Personalized Advertising Via Digital Space





## Plan To Enhance Digital Capabilities

- Personalized Advertising And ExtraCare Dashboard
- Growth Of Digital Commerce ... Endless Aisle
- Enhance Mobile Capabilities
- Leverage Social Media





## Leveraging Social Media To Drive Results

**CVS/pharmacy**[Pharmacy](#) | [Shop](#) | [Photo](#) | [ExtraCare](#) | [Store Locator](#) | [Store Ad](#)

### Don't be a MoneyTrasher!

Millions throw away their ExtraBucks® rewards. It's time to stop.



**Sara, are you a MoneyTrasher?**  
Watch videos and more to make the most of your ExtraBucks rewards.  
**Learn how to stop MoneyTrashing today!**

**extrabucks**  
**moneytrashers**

LEARN MORE →

**your extrabucks® are coming!**



**extra** On Friday 7/1, your quarterly extrabucks start printing in-store.





# “My CVS”



My  
Product

My  
Price

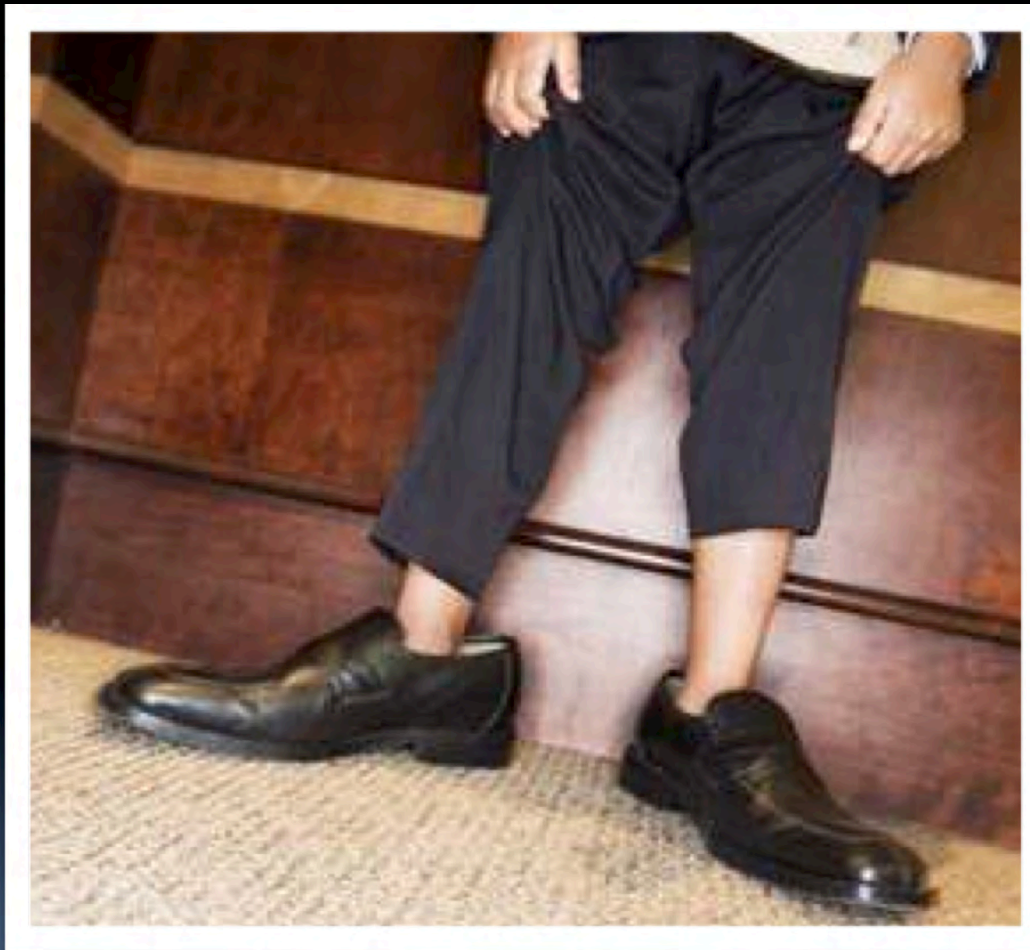
My  
Store

My  
Service

My  
Pharmacist



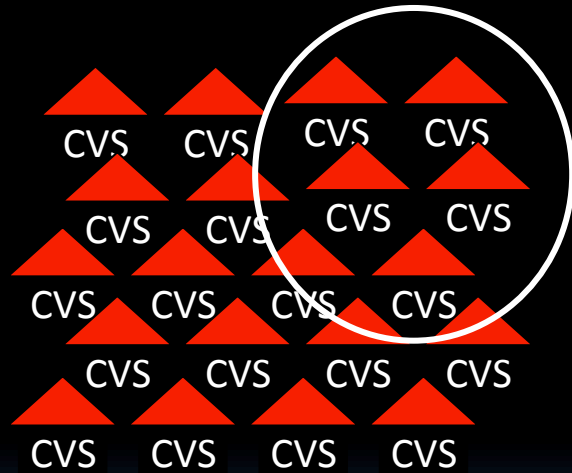
## One Size Does Not Fit All





# Driving Sales Through

## Segmentation And Store Clustering



**Trip-Based  
Segmentation**  
*How Stores Are Shopped  
Based On The Competitive Set*

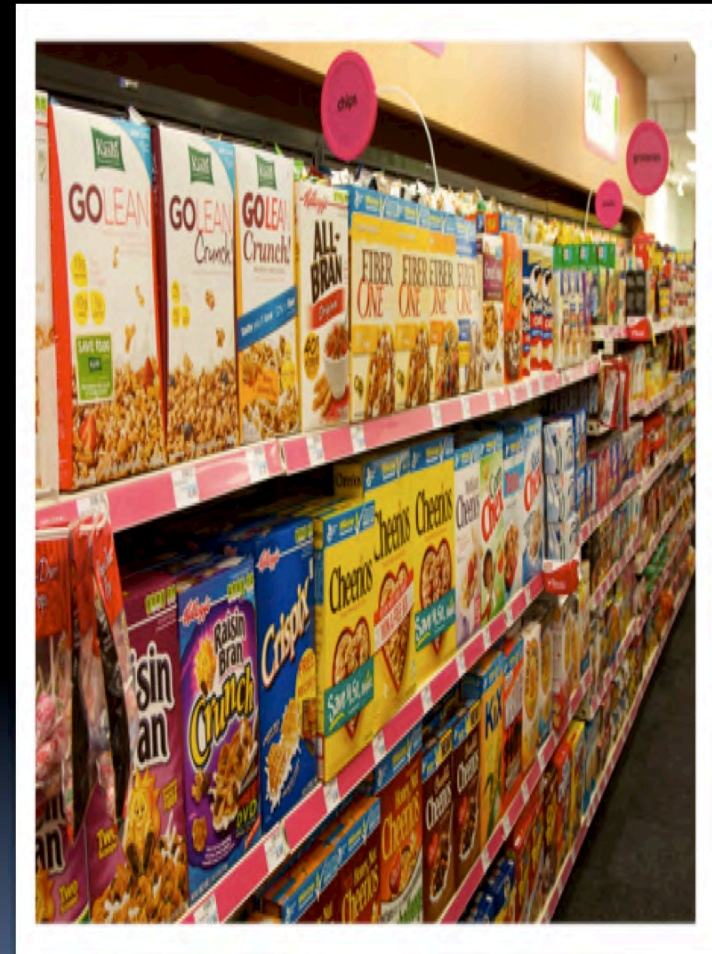
Designing Around Clusters

Food Convenience  
Urban Cluster



## Food Convenience Cluster: What We Did...

- 4,000 Top Store Locations Remodeled In 9 Months
- Doubled Consumable Space
- +12% Improvement In Trips





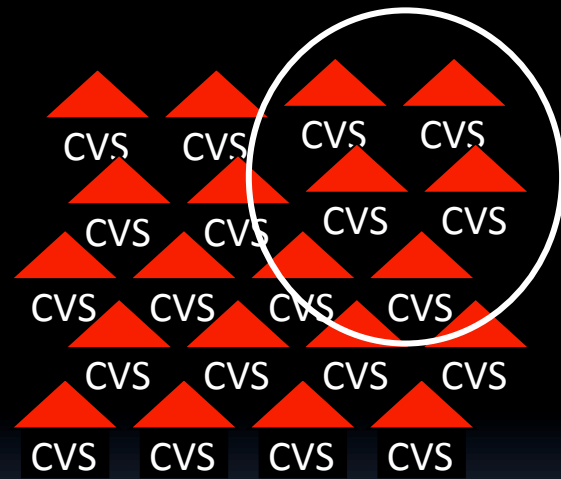
## Urban Cluster: Driving Sales And Profits

- The Urban Cluster Is Best Defined As “The General Store”
  - Limited Competition Based On Shopper’s Quarter Mile Shopping Radius
  - 450 Stores By First Half Of 2012
- Expansion Of Grocery, Addition Of Fresh And On-the-go Foods And Assisted Self Checkouts
- Sales + 8%
- Margin + 9%





# We Will Expand Our Segmentation Approach Through Tests In 2012



## **Trip-Based Segmentation**

*How Stores Are Shopped  
Based On The  
Competitive Set*

### Designing Around Clusters

Food Convenience  
Urban Cluster

## **Demographic-Based Segmentation**

*How Ethnicity-  
income-age Influence  
Purchase Behavior*

Hispanic Prototype  
Economic Segmentation

## **Volume-Based Segmentation**

*Segmenting Stores Based  
On Relative Volume*

Top Pharmacy Stores  
Top Beauty Stores

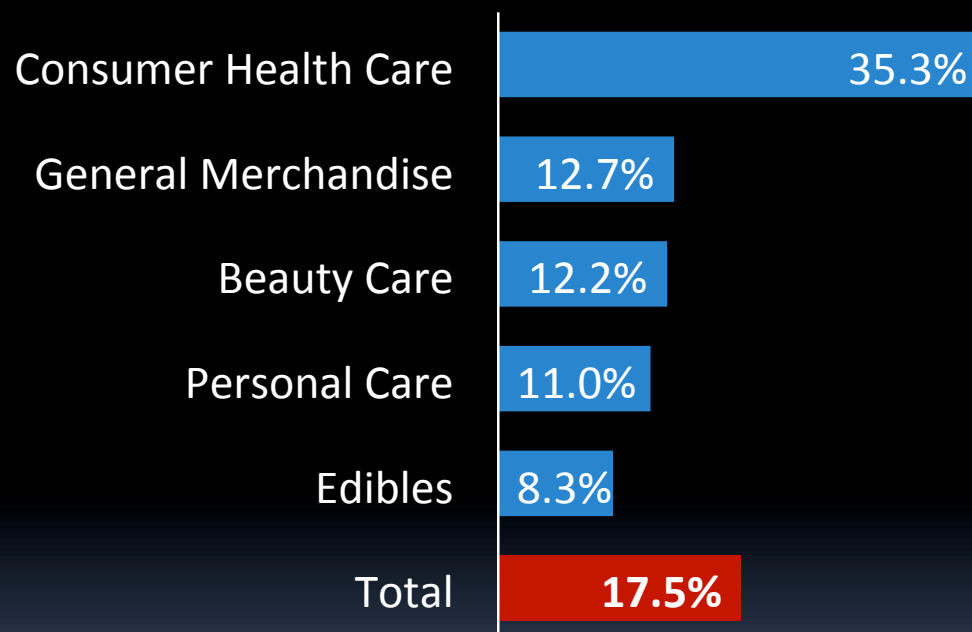


## Store Brands Are A Key Sales Driver ...

**% of FS Sales Growth  
2007 – 2011**



**% Store Brands Of Category Sales**

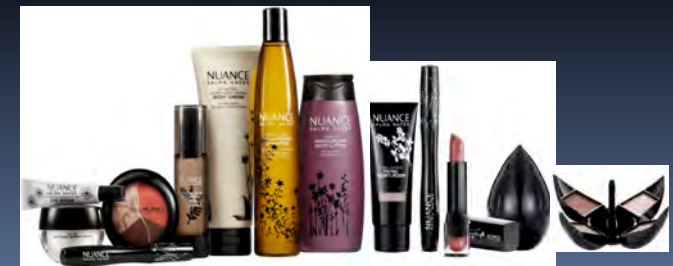


**... We See Significant Upside Across Our Front Store Categories**



# Nuance Salma Hayek

- Positioning
  - Broad Beauty Line Customized To Address Skincare, Body Care, Haircare And Cosmetic Needs
- Results
  - August Launch #1 New Store Brand In Recent History
  - **50%** Of The Nuance Customers New To CVS Beauty
  - Significantly Over-index With Hispanic Customers



**Awarded 2011 “Launch Of The Year: Mass” By *Beauty Inc.***



# Key Opportunities To Drive Future Growth

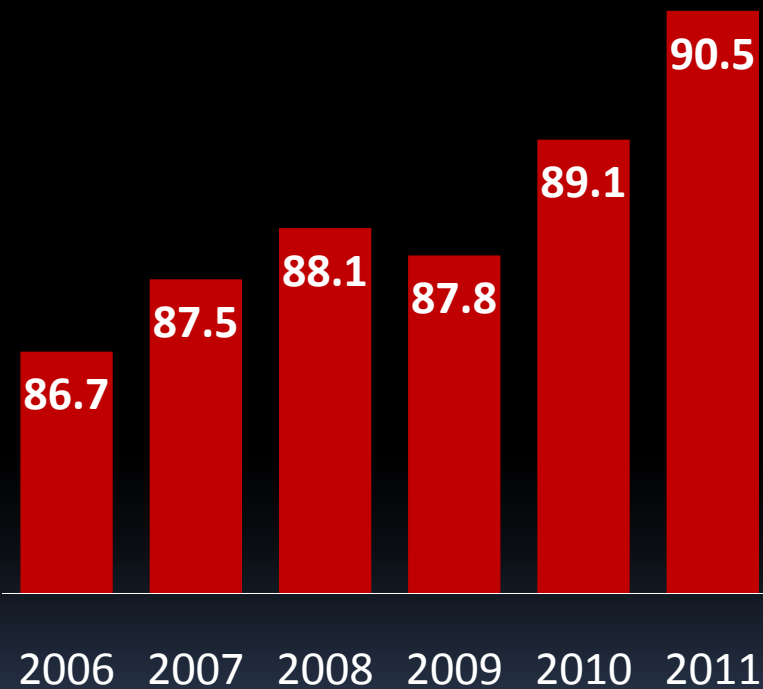
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- Driving Front Store Growth Through...
  - Unique Customer Insights With ExtraCare
  - Enhanced Digital Capabilities
  - Store Clustering ...“My CVS”
  - Differentiated Store Brands
- Driving Pharmacy Growth Through...
  - Superior Customer Service
  - Increased Access
  - Patient Care Improvements
  - Capitalizing On Our Integration “Sweet Spots”

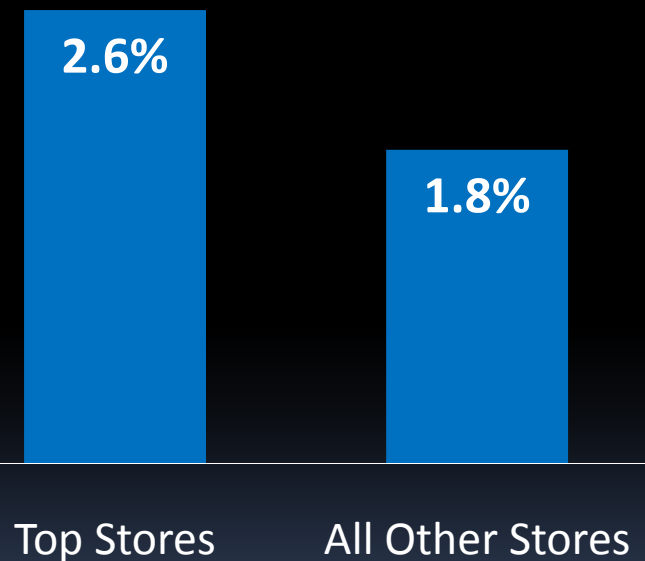


# We Continue To Deliver Superior Customer Service...

Triple S: % Of Customers Providing  
"Excellent / Top Box" Rating



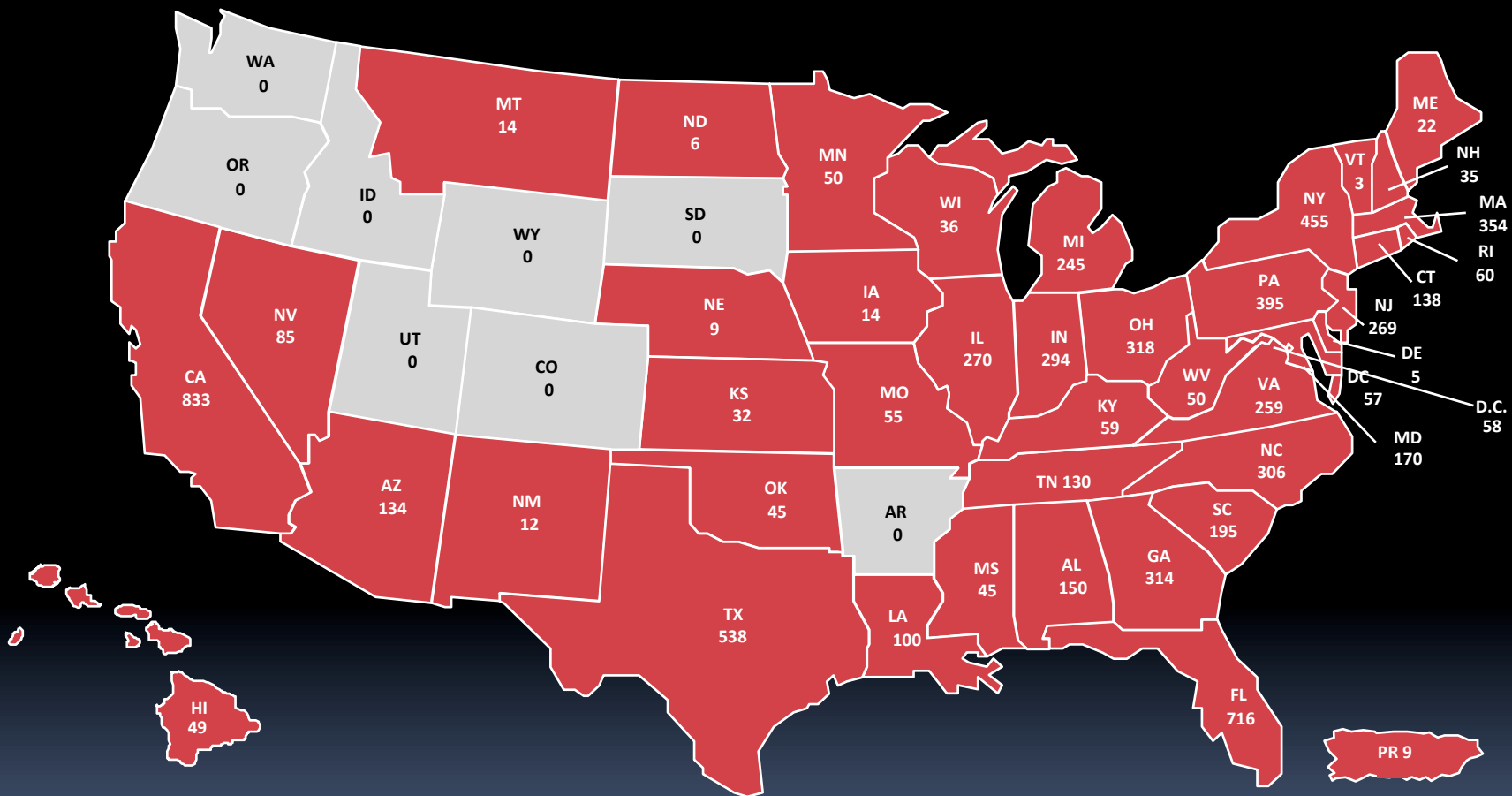
Script Comp Performance By Store  
Service Performance Bucket



**...And Our Top Stores Deliver Superior Financial Results**



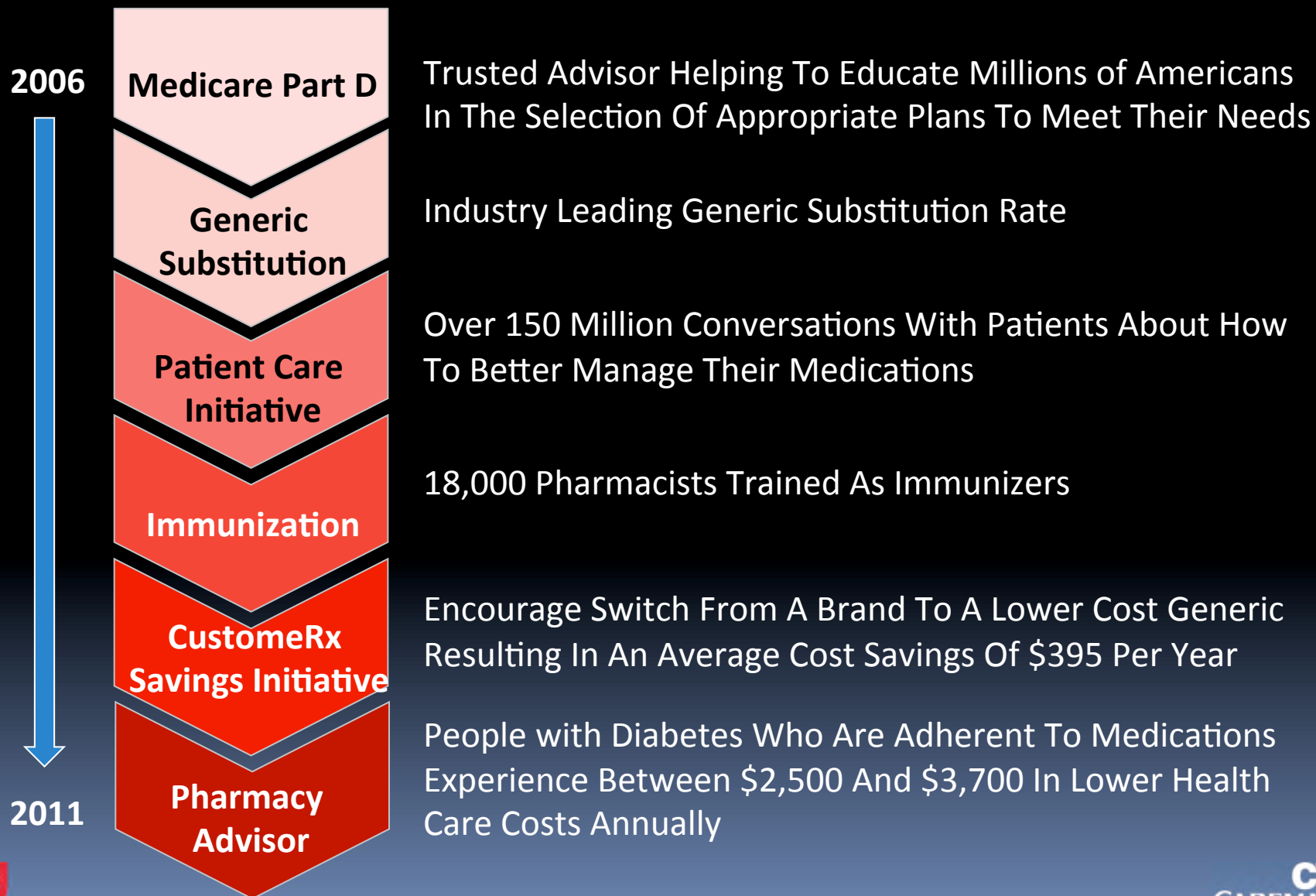
# We Have A National Presence With A Goal Of Adding 2% To 3% Of Square Footage Annually



**Entered Nine New Markets Over The Past Two Years**



# Pharmacists Have Helped Drive Better Health





# Bringing Solutions To Non-adherence

## Key Facts On Medication Adherence

Over \$40B In Unnecessary Hospitalizations Annually

1 In 3 Patients Who Start On A Maintenance Script Will Discontinue Before Their 1<sup>st</sup> Refill

1 Of 2 People Will Stop Their Medication Within The First Year Of Treatment

Fewer Than ½ Of Patients Take Their Doses As Prescribed

Patients Who Use Multiple Pharmacies Are Much More Likely To Stop Therapy

**New Script Outreach**

**First Fill Counseling**

**Adherence Outreach**

**Refill Reminders**

**ReadyFill®**

## Key Tactics In Patient Care Initiative

Pharmacist Outreach To Improve Start Rates Among Patients With New Prescriptions

Proactively Counsel 'New To Therapy' Patients

Outreach Calls To Help Patients Who May Have Stopped Taking Their Medication

Inform Patients When Scripts Are Due For A Refill

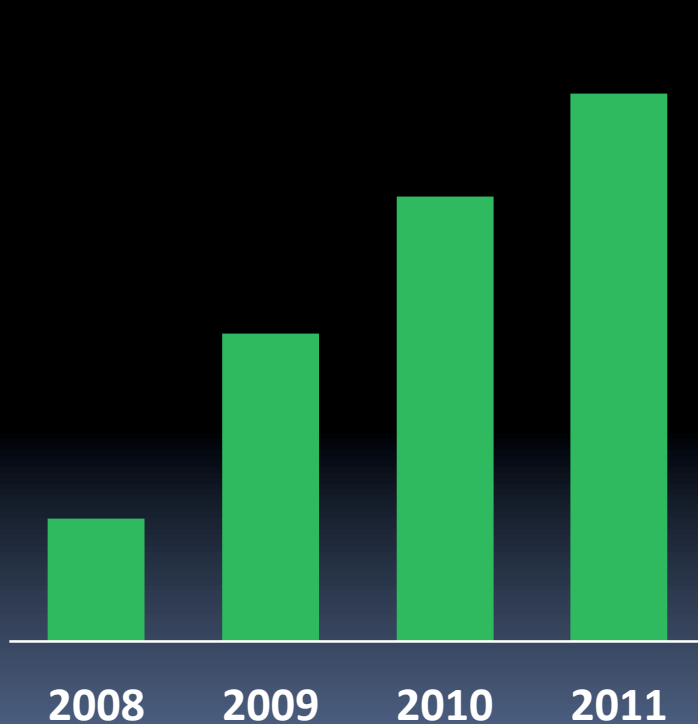
Automatically Schedules Script Fills When Due And Informs Patients When They Are Ready



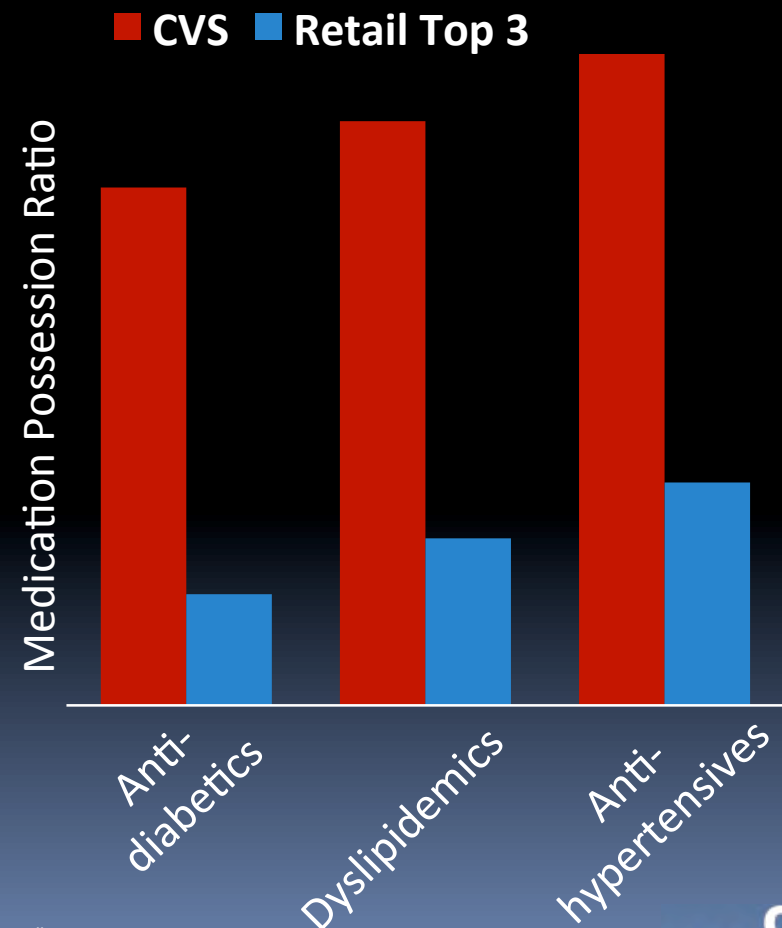
# CVS/pharmacy Teams

## Provide Best-in-class Interventions

Stores Have Conducted Over 150M Interventions Since 2008 ...



... Driving Powerful Results And Leading CVS To Best-in-class Adherence

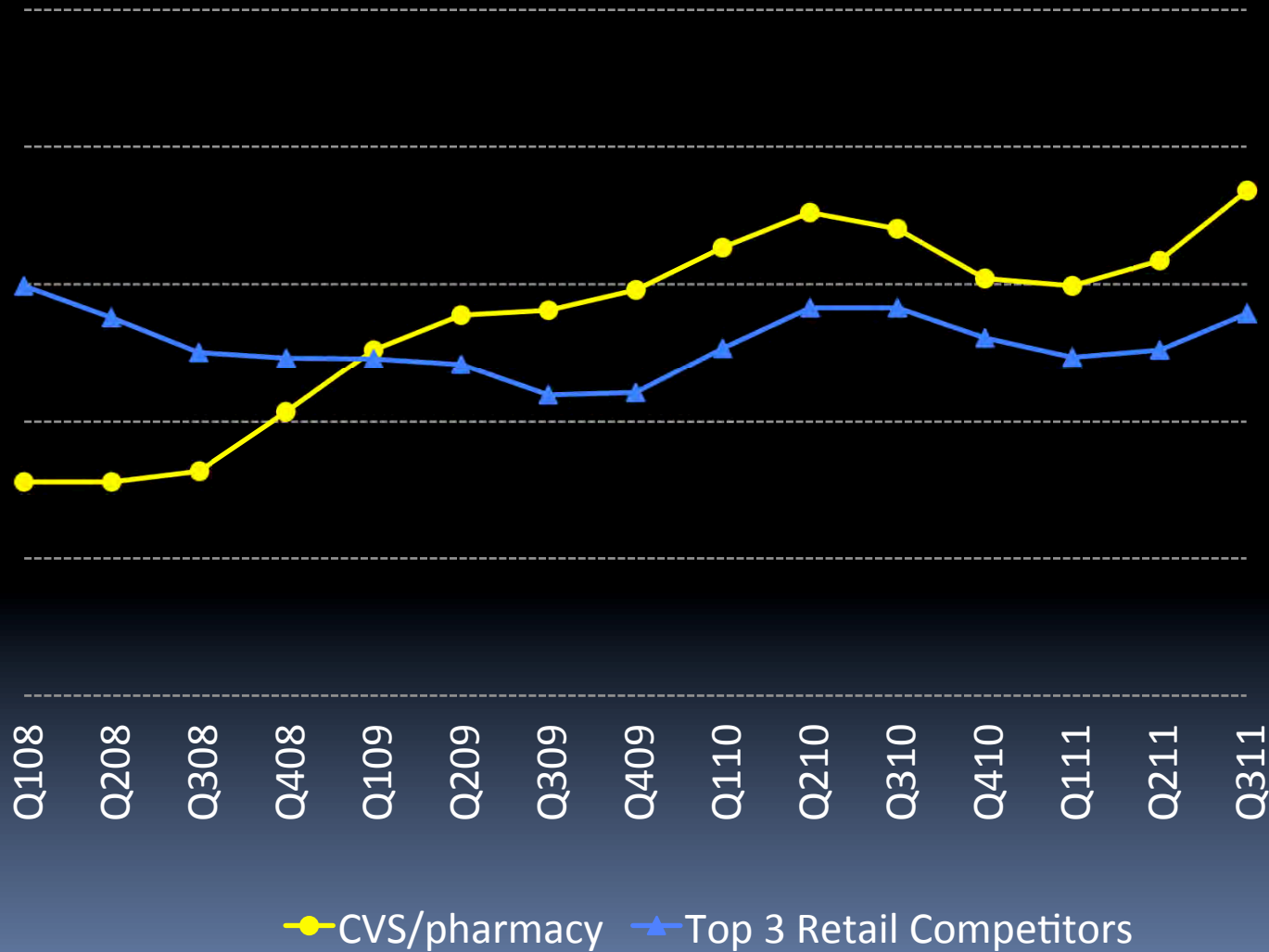


Notes:

1. 2011 Interventions are an annualized estimate based on first half 2011 results.
  2. Patients with an Medication Possession Ratio over 80 are considered "optimally adherent".
- Source: CVS Caremark Quarterly Adherence Report



# Partnering With Caremark Helped CVS Deliver Best-in-class Generic Substitution Rates





# Pharmacy Advisor Diabetes Example

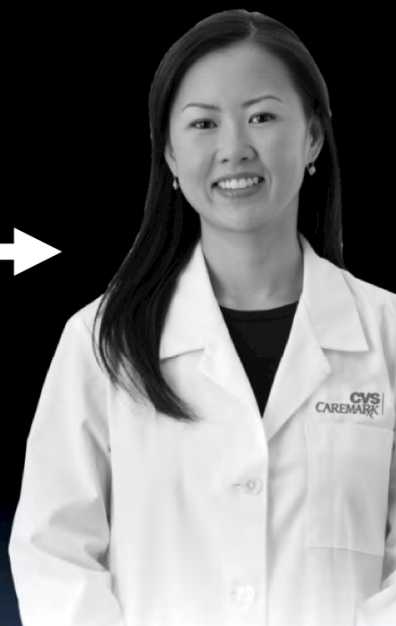
100K Employees  
6,000 Have Diabetes

Trusted Advisor Outreach  
Phone And Face-to-face

\$3.3M Cost Reduction  
From Diabetes Alone



4,000 Members  
With Opportunities  
To Improve Adherence And/  
Or Close Gaps In Care



1,200  
Issues  
Resolved

**Better Pharmacy Care Through Pharmacy Advisor**



# Our Pharmacist Engagement Is A Big Competitive Advantage

■ CVS ■ Retail Norm

I Feel Like I Am  
An Important Part Of CVS



I Am Always Willing To  
Give Extra Effort To  
Help CVS Succeed



I Have A Clear  
Understanding Of The Goals  
And Priorities Of My Store



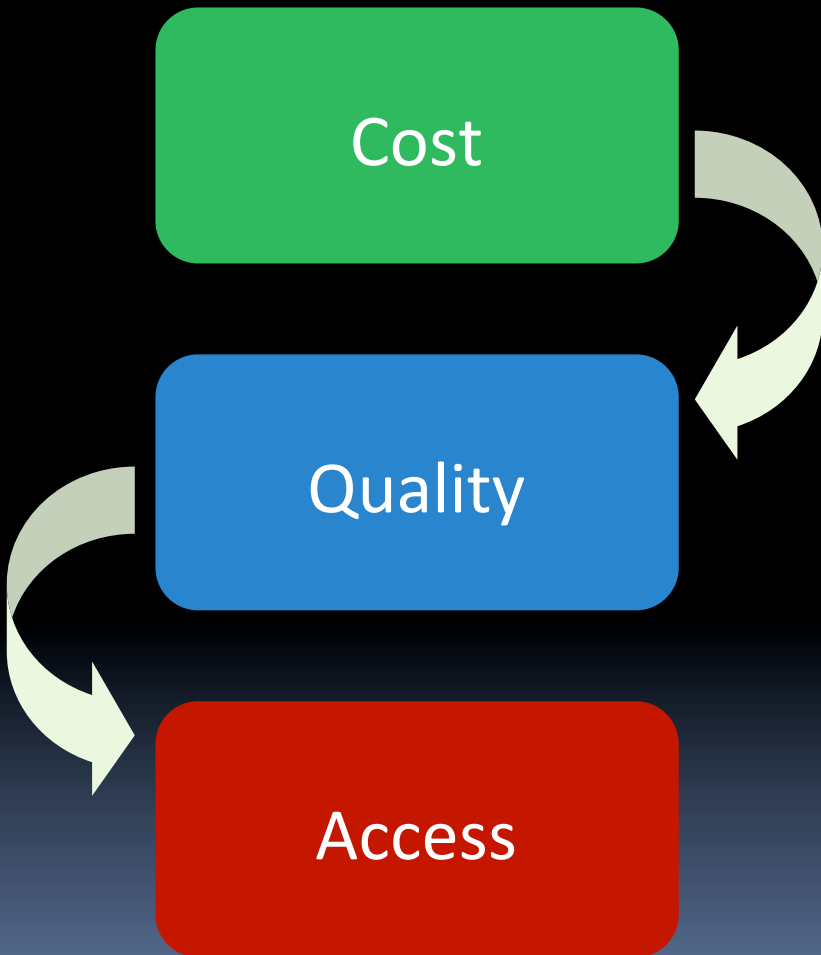
I Really Care About  
The Future Of CVS



Note: Graph represents the percent of pharmacists who answered 5/5 on the engagement surveys.  
Source: Employee engagement survey, June 2011; CVS Caremark -commissioned engagement survey of 400 competitor pharmacists, June 2011.



# We Will Continue To Build Our Strengths



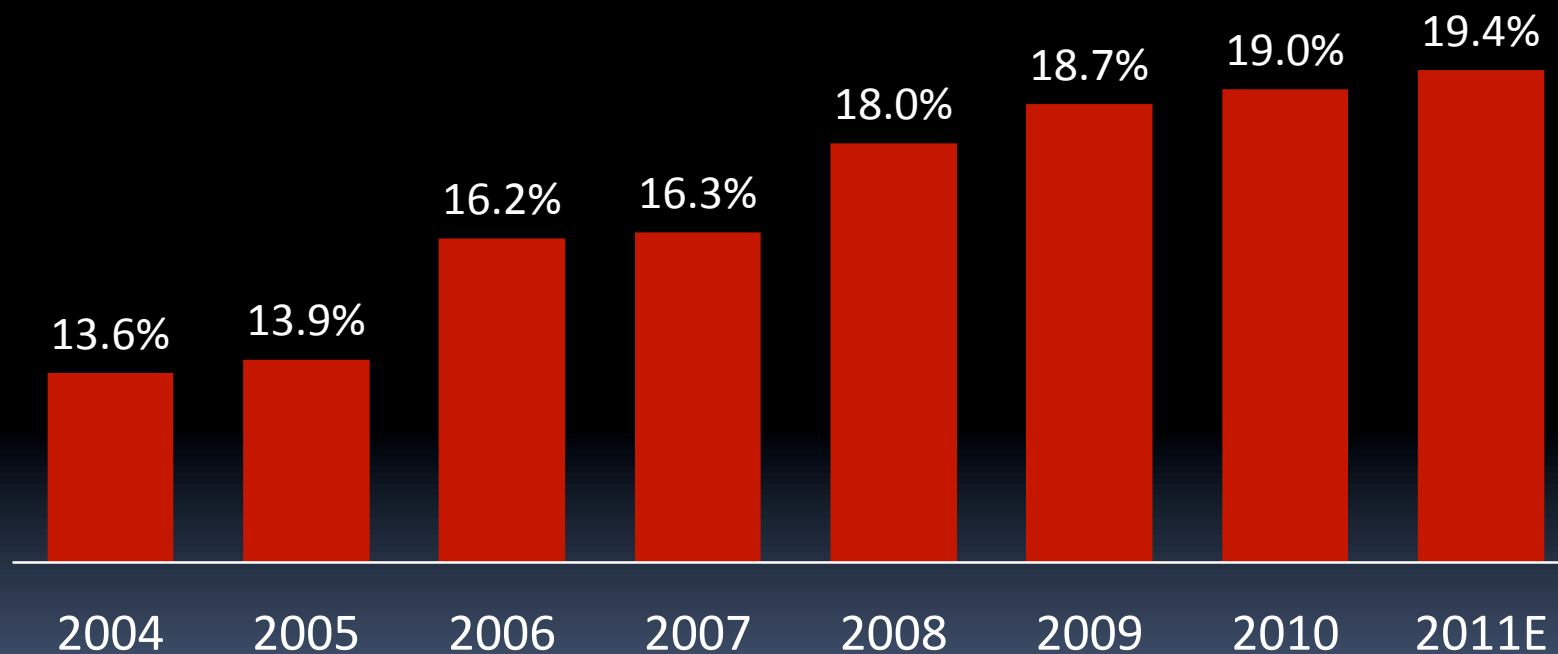
## What's Next?

- Leverage Generic Expansion
  - Maintenance Choice 2.0
- 
- Evolve Patient Care Programs
  - Pharmacy Advisor 3.0
  - Implement “My Customer” For Proactive Service
- 
- New Stores
  - MinuteClinic Expansion
  - Evolution Of Store Prototype



# We Will Continue To Grow Our Market Share

## CVS/pharmacy Share Of Total U.S. Prescription Market





# Reinventing Pharmacy For Better Shareholder Value

---

- History of Innovation And Market Share Gains
  - ExtraCare Provides Advanced Customer Insights
- New “My CVS” Clustering Initiatives And Differentiated Store Brands Foster Strong Growth
- Reinventing Pharmacy To Help People On Their Path To Better Health
- Integration With Caremark And MinuteClinic Creates True Differentiation



## Sources For Slide 26

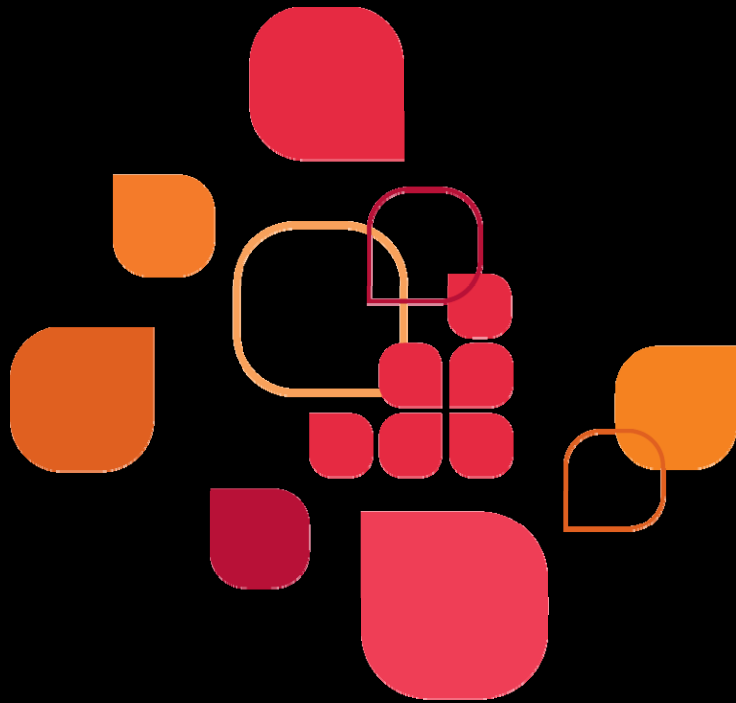
Source: IOM (Institute of Medicine). 2010. *The Healthcare Imperative: Lowering Costs and Improving Outcomes: Workshop Series Summary*. Washington, DC: The National Academies Press.

Source: CVS Caremark BoB and published data.

Source: Choudhry NK, Avorn J, Glynn RJ, Antman EM, Schneeweiss S, Toscano M, Reisman L, Fernandes J, Spettell C, Lee JL, Levin R, Brennan T, Shrank WH. Full coverage for preventive medications after myocardial infarction. *N Engl J Med*. 2011 Dec 1;365(22):2088-97. Epub 2011 Nov 14.

Source: Monane M, Bohn RL, Gurwitz JH, Glynn RJ, Levin R, Avorn J. The effects of initial drug choice and comorbidity on antihypertensive therapy compliance: results from a population-based study in the elderly. *Am J Hypertens*. 1997 Jul;10(7 Pt 1):697-704.





**CVS**  
**CAREMARK**

## Retail Clinic Leadership & Integration “Sweet Spots”

Andy Sussman, M.D.  
President, MinuteClinic

2011  
**analyst**  
day



## MinuteClinic Overview

- National Shortage Of Primary Care
- Accessible, Affordable, High Quality Care
- Expanding Sites And Clinical Scope
- Caremark Client Collaboration
- Health System Affiliations

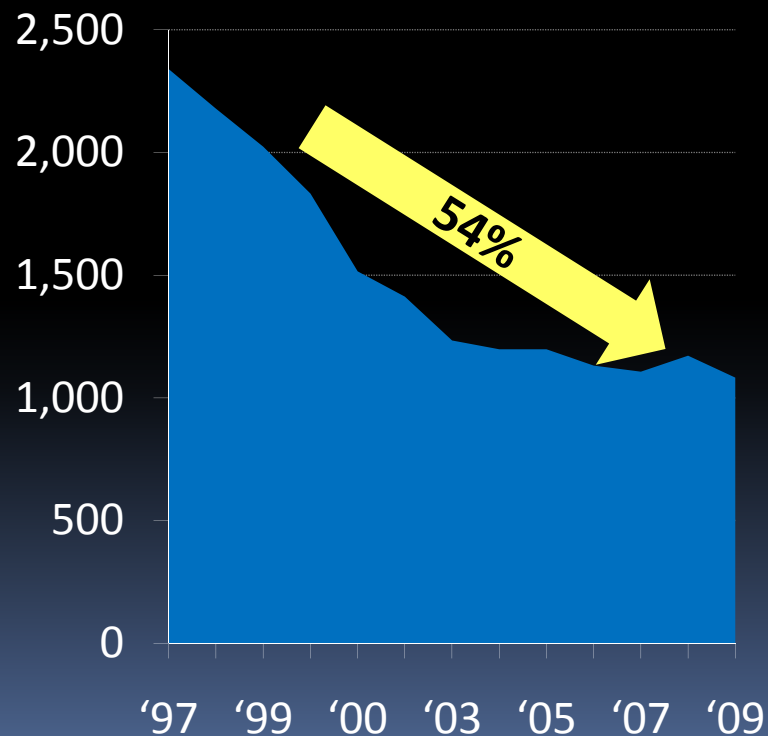




# Primary Care Shortage And Rising Demand

## Painful Fall?

The Percentage Of US Medical School Graduates Choosing Residency Spots In Family Medicine Has Declined **54%** Since 1997

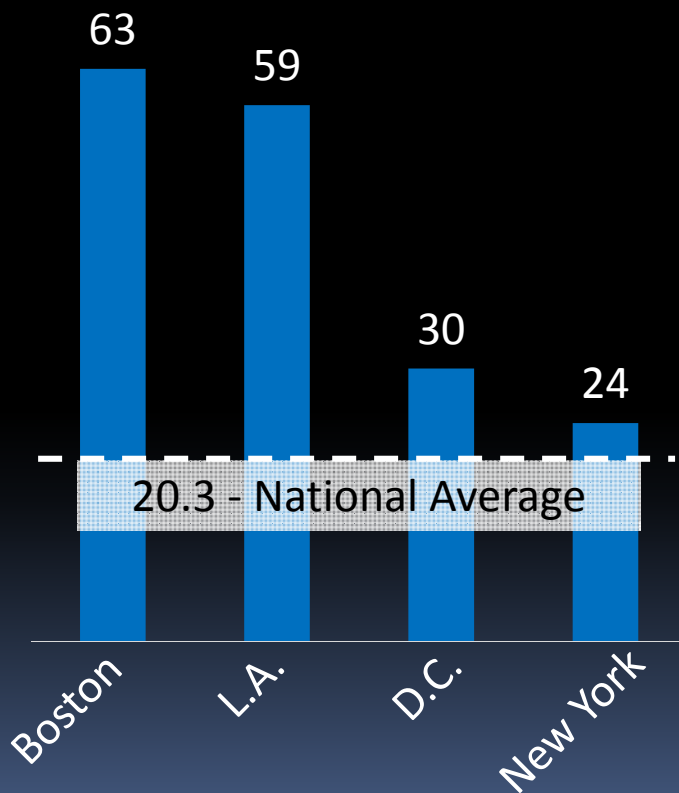


- Expect Shortage Of 45,000 Primary Care Physicians (PCP) By 2020
- PCPs Going To Concierge Practice And Retiring
- Increased PCP Supply Years Away
- 30% Obesity; 50% By 2030
- 75 Million People With Diabetes In 10 Years
- “Silver Tsunami”
- Health Care Reform Expected To Add 32 Million Newly-covered Patients In 2014

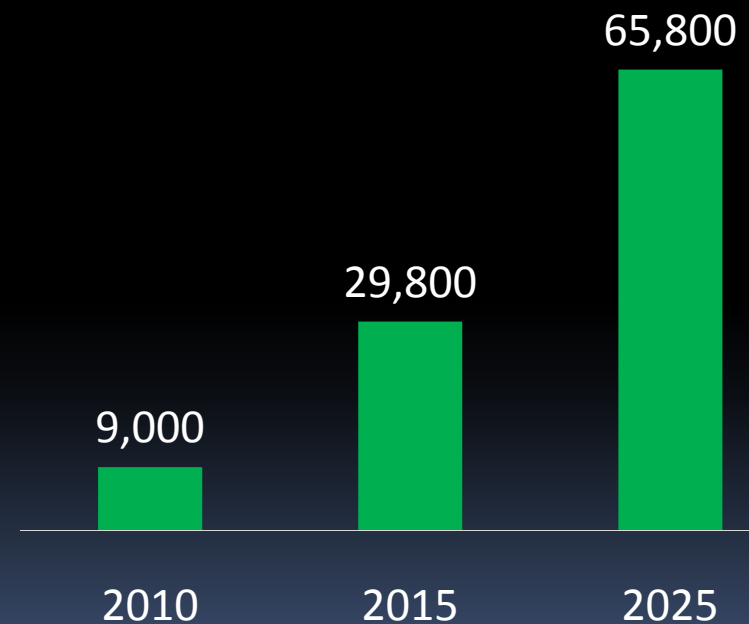


# Primary Care Shortage Worsening

## Average Days To Appointment For Family Practice



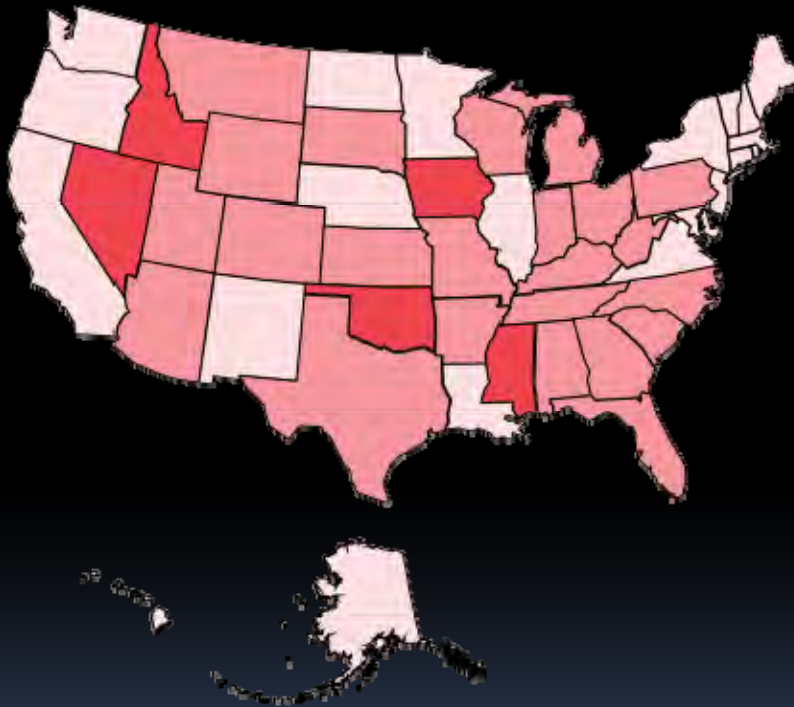
## Projected PCP Shortage



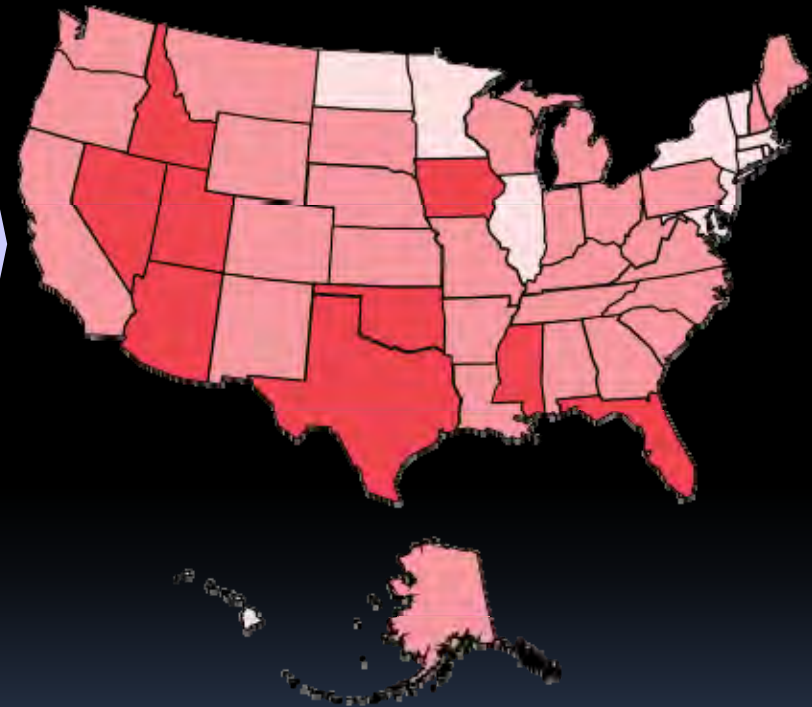


# Primary Care Shortage May Become Severe In Many States By 2016

PCP Demand: 2011



PCP Demand: 2016



Number of annual  
visits per PCP



>2000



1500-2000



<1500



# MinuteClinic: 2011 Overview

- Largest Retail Clinic Provider
- Health Care/Retail Leadership
- 11 Million Visits Since Inception
- Walk-in Care, 7 Days Per Week, Evenings/Holidays
- Evidence-based Guidelines
- 80% Third Party Coverage
- 50% Report No Physician

## Our services:

### Get better

■ Minor illness exam	\$79-\$89
■ Minor injury exam	\$79-\$89
■ Skin condition exam	\$79-\$89

### Stay healthy

■ Wellness & physical exams	\$27-\$69
■ Health condition monitoring	\$59-\$89
■ Vaccinations	\$29.95-\$147

\* Lab tests, additional services and visit complexity may result in additional charges. Pricing subject to change.

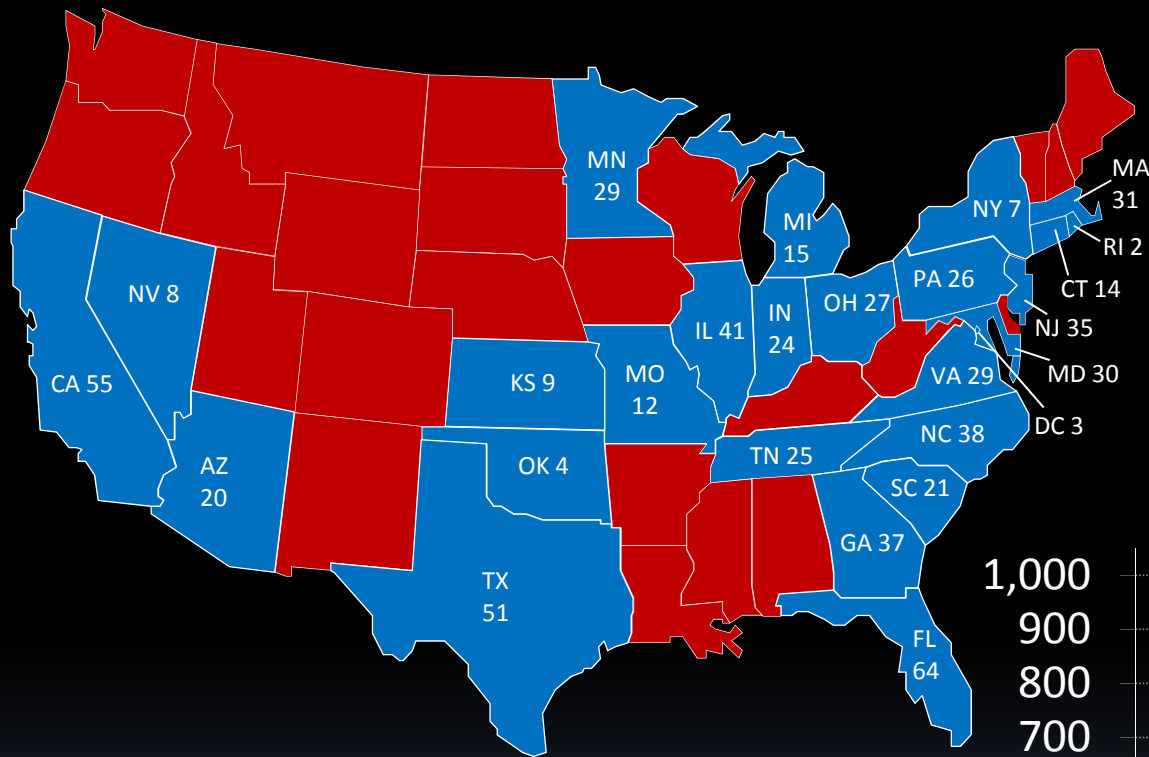


Sign in at the kiosk.



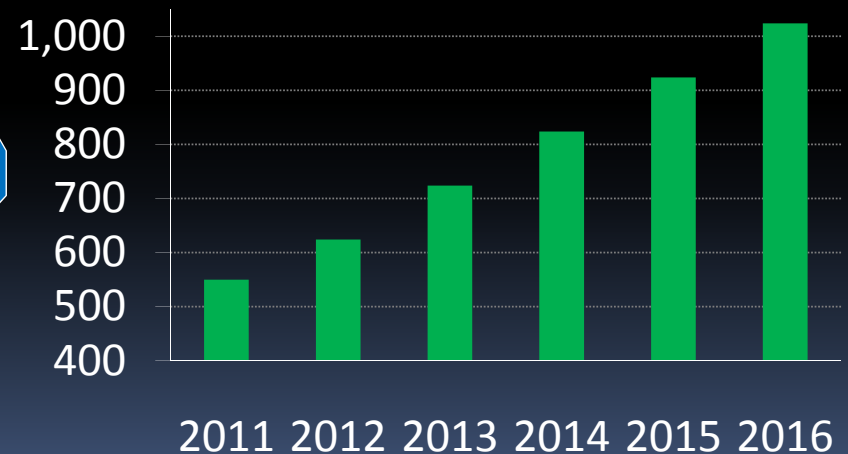


## More Than 650 Clinics In 25 States



100 New Clinics Opened In 2011

Full-time MinuteClinics





# Excellent Quality And Patient Satisfaction

MinuteClinic Is Fully  
Accredited By The  
Joint Commission



Overall Satisfaction Rating: **94%**  
Overall Practitioner Rating: 95%  
Felt "Listened To And Respected": 96%

MinuteClinic Net Promoter Score: **80%**

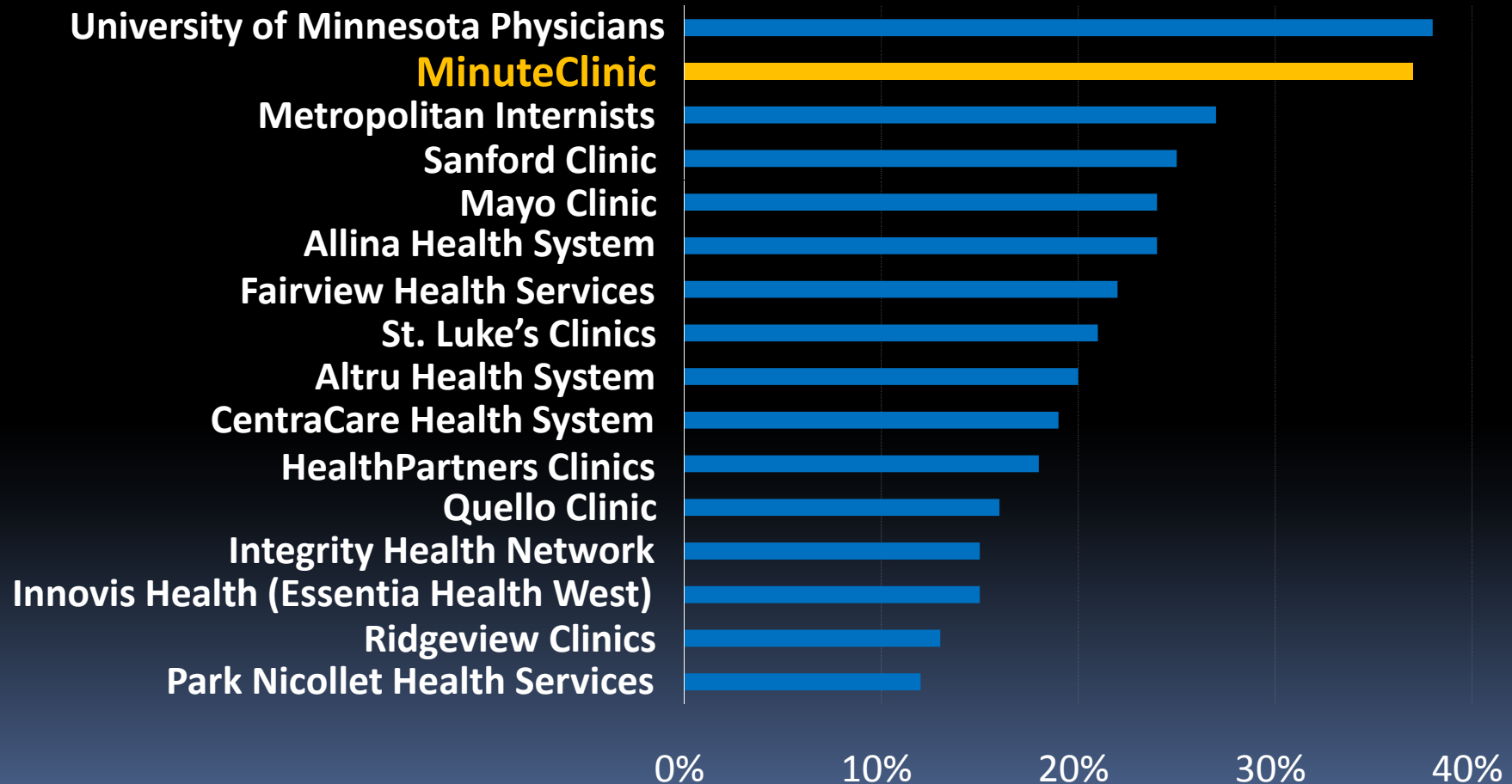


Sample Scores	
USAA (Financial)	87%
Trader Joe's	82%
<b>MinuteClinic</b>	<b>80%</b>
Apple	72%
Amazon.com	70%
Physician Offices	69%
Urgent Care	68%



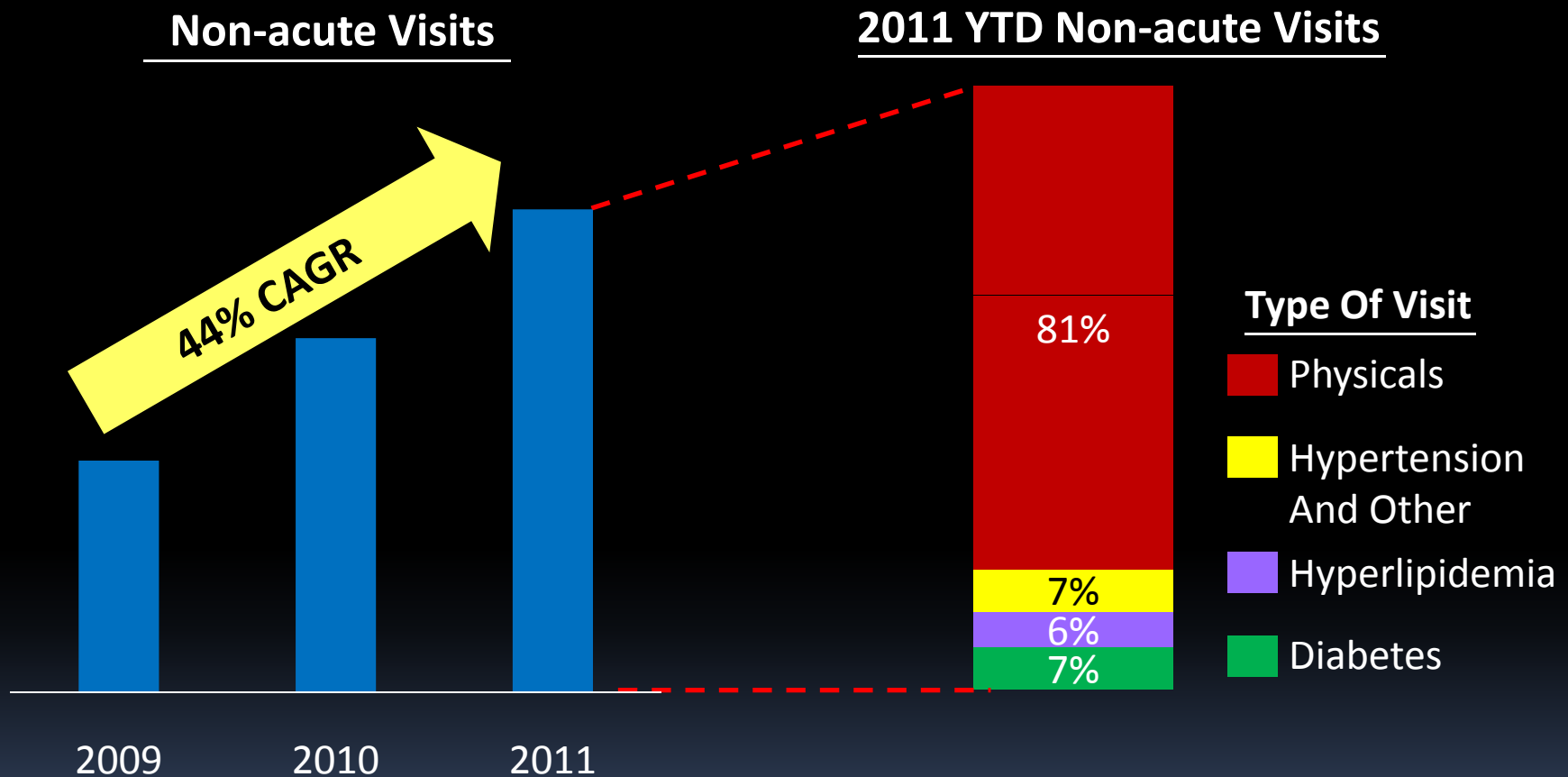
# MinuteClinic Clinical Quality: HEDIS Measure

## Avoidance Of Antibiotic Treatment In Adults With Acute Bronchitis (2010)





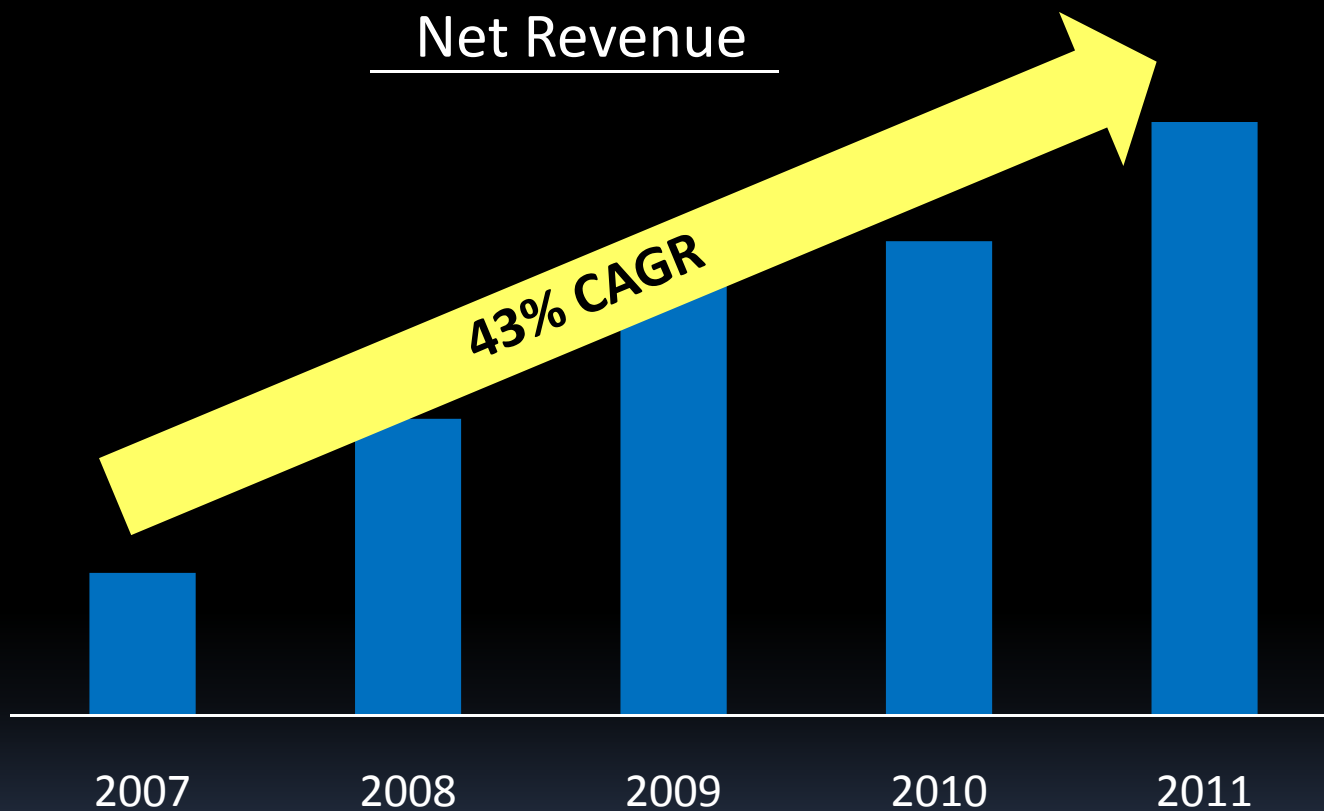
# MinuteClinic Non-acute Visits: Fastest Growing Segment



By 2015, Non-acute Care Including Visits And Non-flu Vaccines Could Account For **25%** Of All MinuteClinic Visits



## MinuteClinic Visit Revenue Continues To Grow

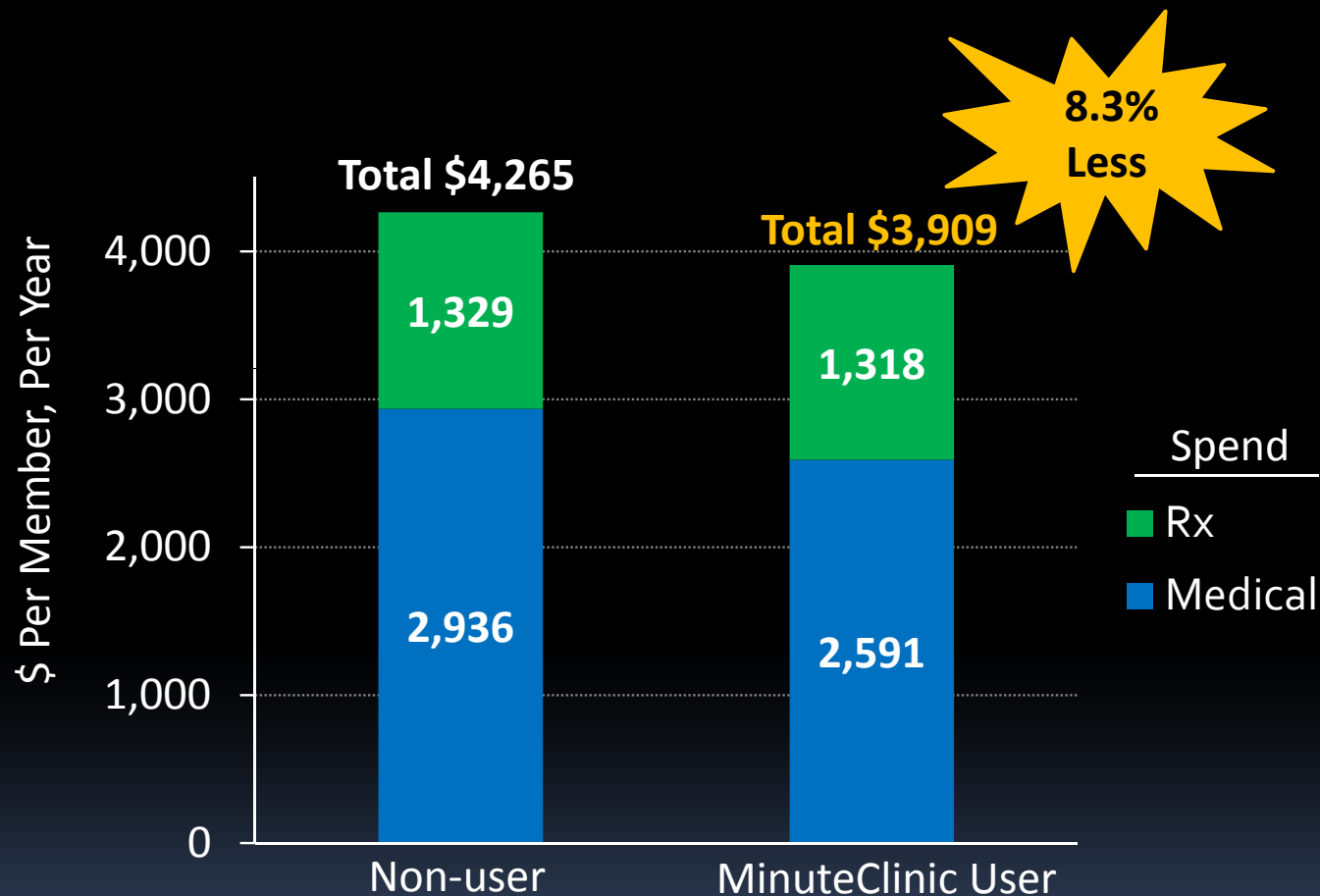


**MinuteClinic Break-even By End Of 2011 On Enterprise Basis**



# Utilizer Spend 2010:

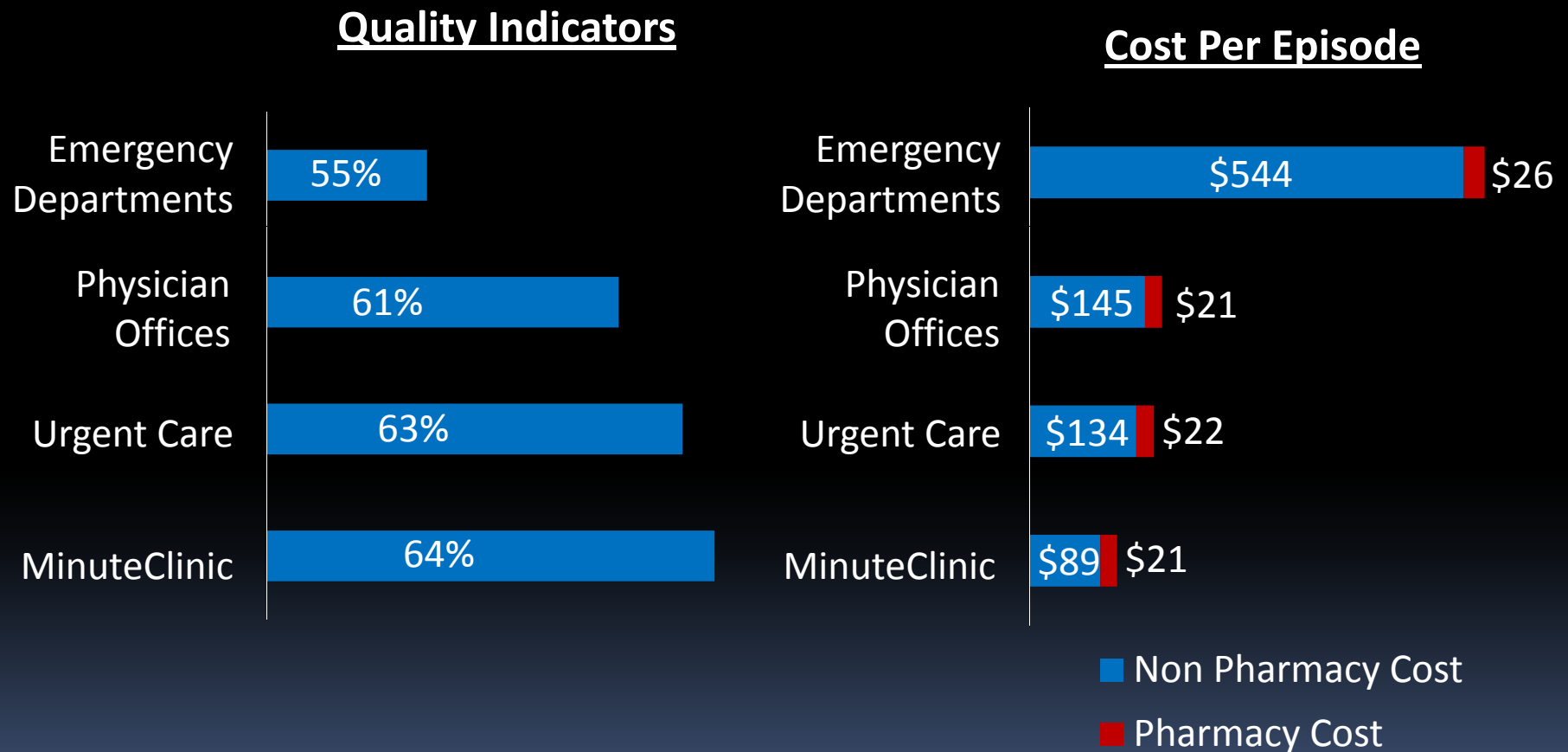
## MinuteClinic Versus Non-MinuteClinic



**Lower Total Health Care Costs Per Person Who Used MinuteClinic**



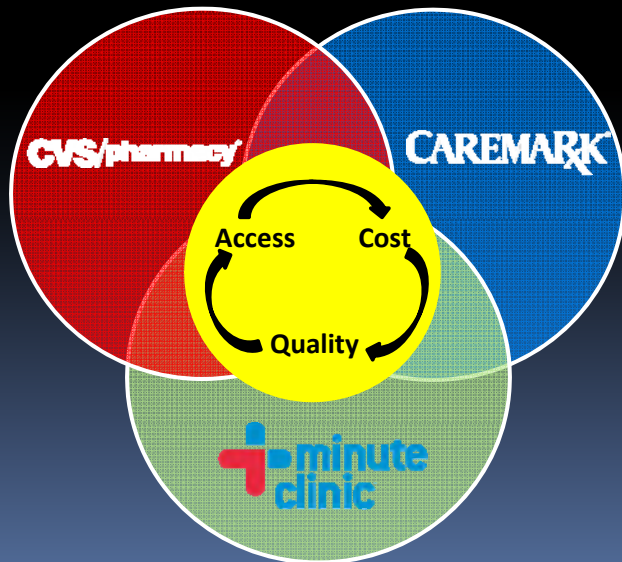
# Comparing Cost And Quality Of Treating Common Illnesses Across Medical Settings





# Caremark Member Care At MinuteClinic

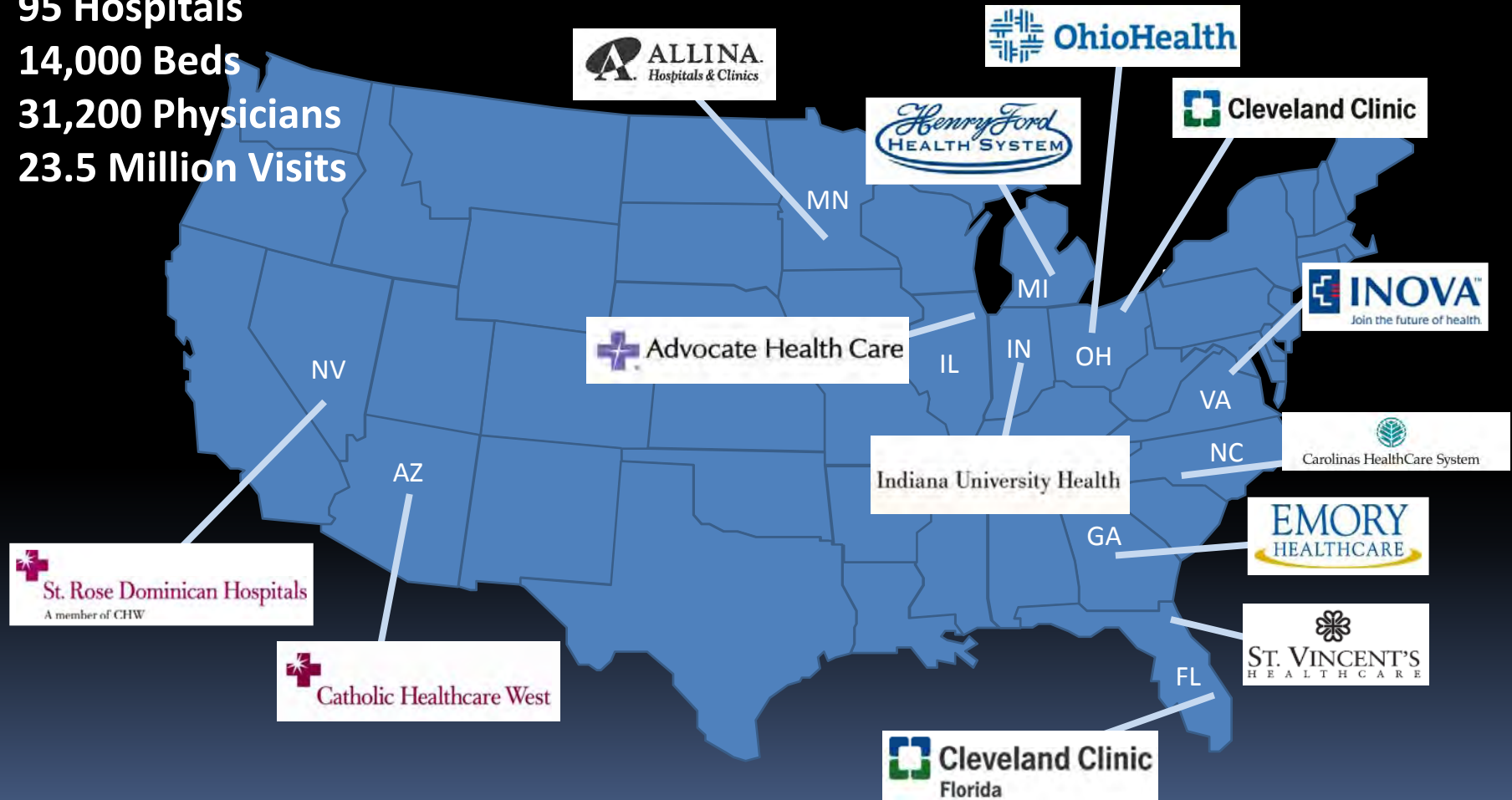
- Opportunity: Acute And Chronic Care For Caremark Members
- Caremark Offering Clients Opportunity To Change Their Benefit Structure To Substantially Reduce Co-pay At MinuteClinic To Lower Overall Health Care Costs
- Flu Vaccination Programs At MinuteClinic
- Biometric Screening Programs For Clients
- Wellness Programs For Clients
- On Site Clinics At Corporate Locations





# MinuteClinic Strategic Affiliations: Major Health Systems

95 Hospitals  
14,000 Beds  
31,200 Physicians  
23.5 Million Visits





## Health System Affiliations

---

- Joint Clinical And Pharmacy Care Programs
- Health System Physician Directors For MinuteClinic
- Chronic Disease Programs
- Integrate Electronic Medical Records
- Participate In Future Accountable Care Organizations



# Integration Of Electronic Medical Records With Affiliated Health Systems

Read	09/25/2010	Labtest, Labfour	Retail Clinic Visit	Provider, External...	Closed	CCF Department
------	------------	------------------	---------------------	-----------------------	--------	----------------

09/25/10 - Labtest, Labfour		More Data	
<b>Retail Clinic Visit</b>		Labfour Labtest (MR# 5600)	
<b>Contact Information</b>			
Date & Time	Provider	Department	Encounter #
9/25/2010 4:07 PM	External Provider	Cleveland Clinic Dept	
<b>Patient Info</b>			
Patient Name	Sex	DOB	
Labtest, Labfour (56000046)	Male	01/01/1980	

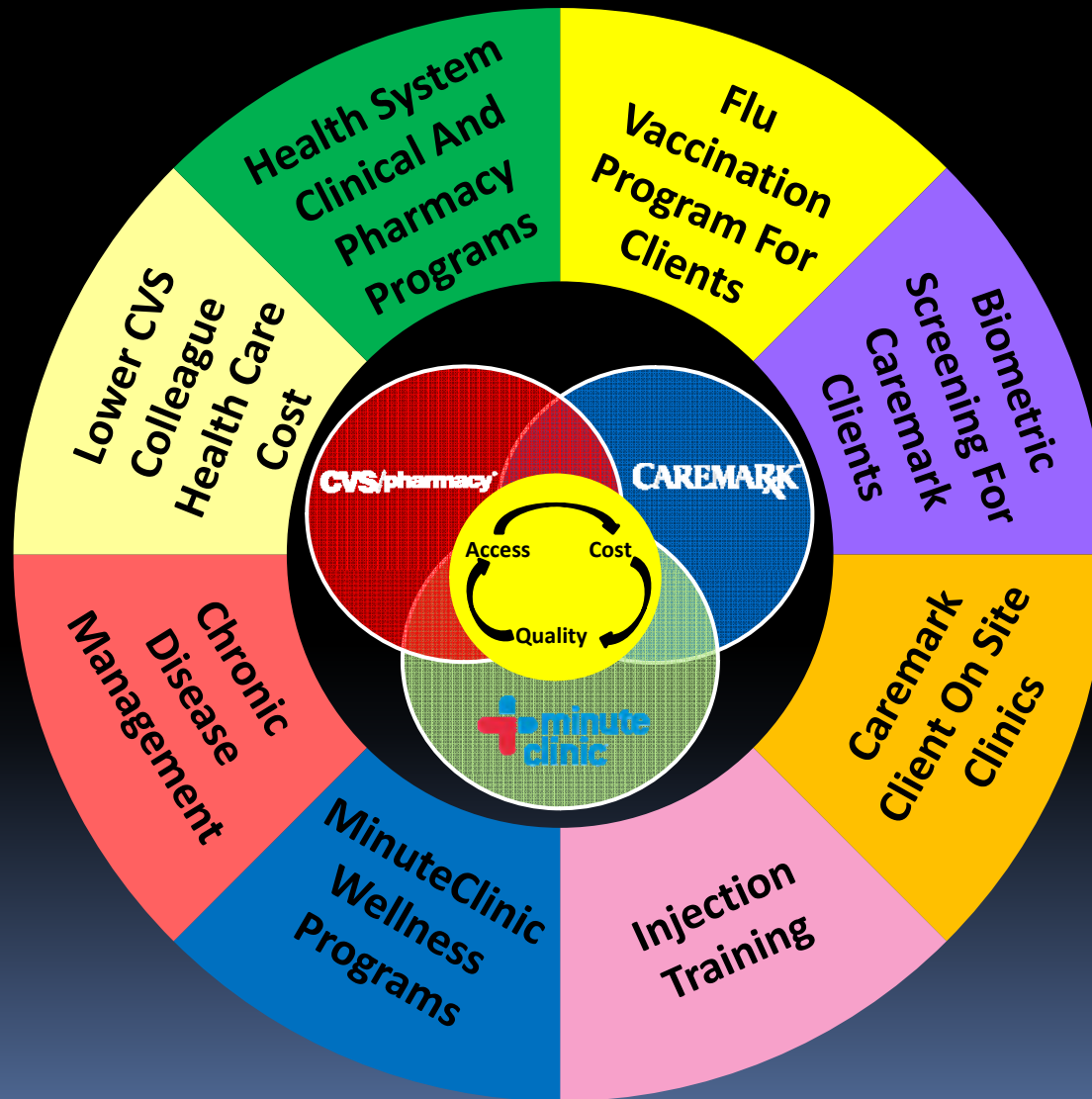
Scanned Documents

[View Retail Clinic Visit - CVS Strongsville 09/25/2010](#)

Allergies as of 09/25/2010



# MinuteClinic's Enterprise Role



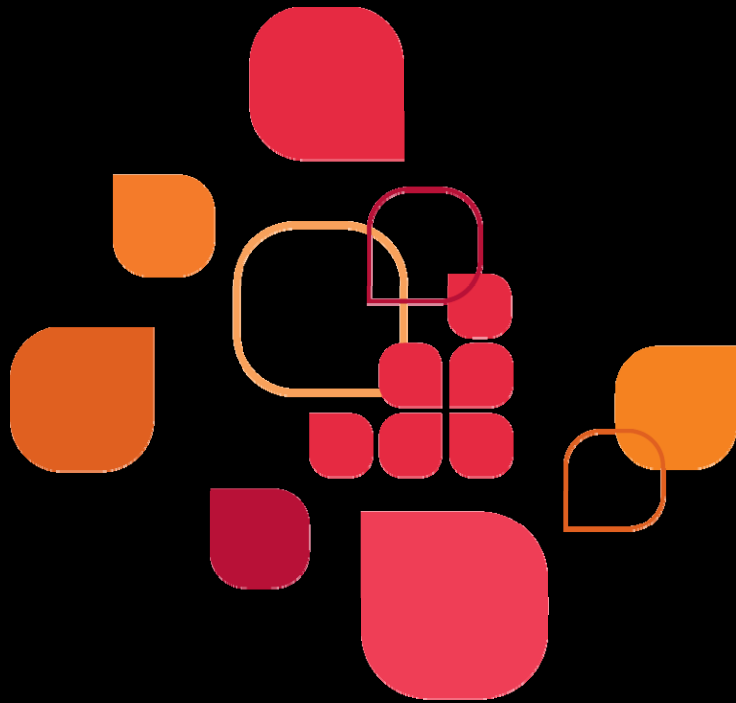


## Reinventing Pharmacy For Better Shareholder Value

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- Expanding To Over 1,000 Full-time Clinics By 2016
- Robust Volume And Revenue Growth
- Lowering Health Care Costs
- Opportunity With Caremark Clients To Provide Cost-effective, Coordinated Care
- Major Health System Affiliations And Future ACO Role





**CVS  
CAREMARK**

## Integrated Model Delivers Best Clinical Results

Troy Brennan, M.D., M.P.H.  
Chief Medical Officer

2011  
**analyst**  
day





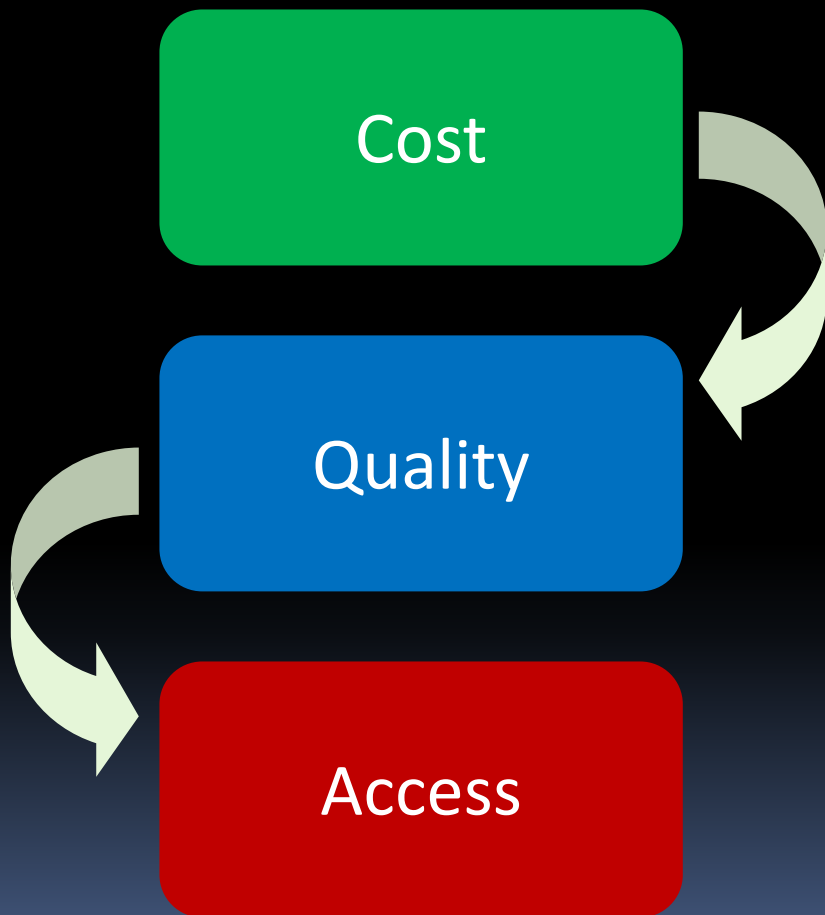
## Agenda

---

- Better Use Of Medications Substantially Lowers Health Care Costs
- Our Unique Assets Deliver Unmatched Results
- We Can Rigorously Quantify Savings For Clients
- We Have A Host Of New Ideas For Reinventing Pharmacy Care



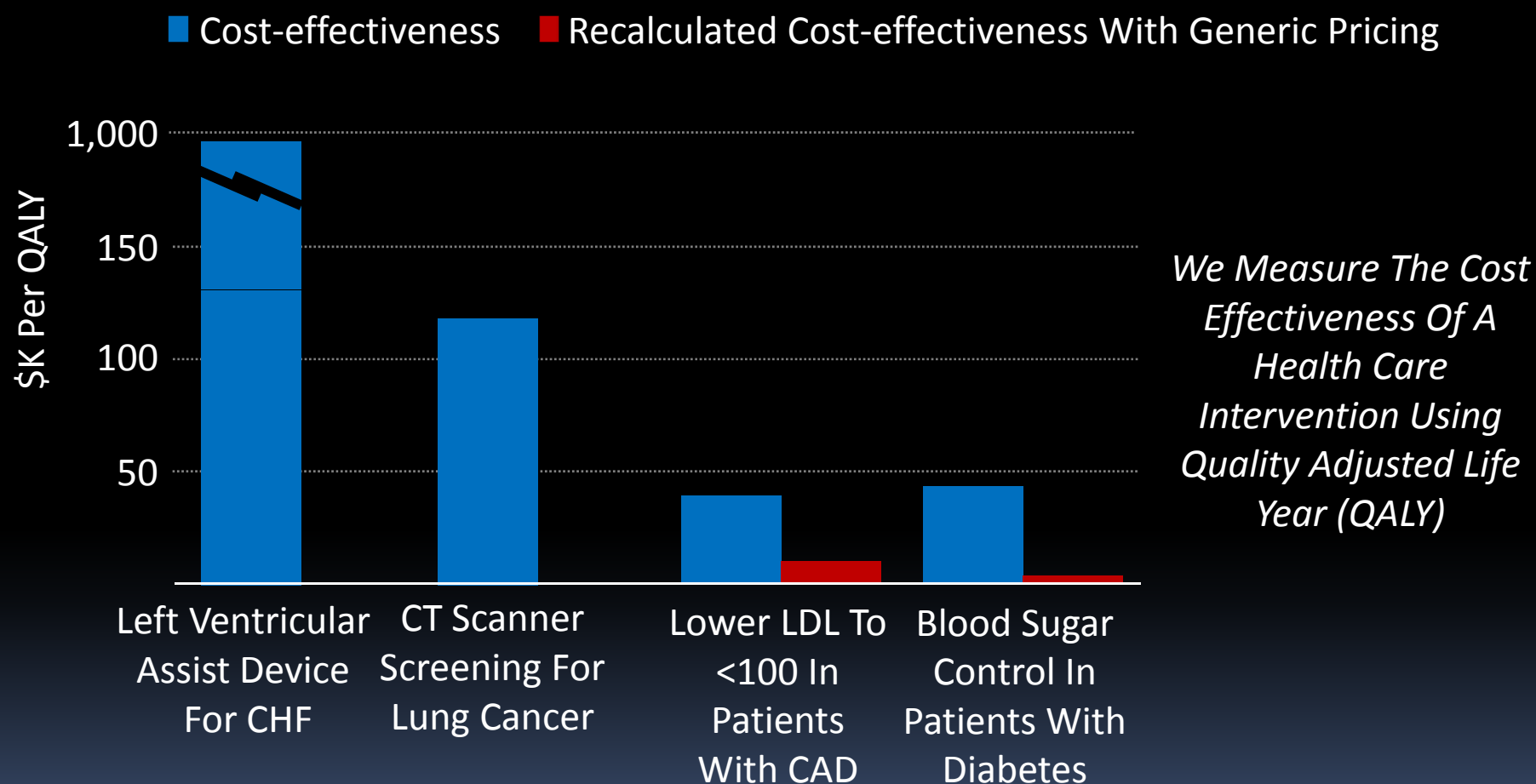
# Health Care Landscape Is Changing Rapidly, Creating New Challenges And Opportunities



- 1 Disproportionate Growth In Health Care Spending ... Intensified By Aging Population
- 2 Insufficient Focus On Low Cost Solutions ... Too Much Emphasis On High Cost Care
- 3 Primary Shortage And Lack Of Integration
- 4 Emergence Of Retail Health Consumer



# Generic Medications For Chronic Disease Are The Most Cost-effective Health Care Interventions



Sources: J.T. Cohen, P.J. Neumann and M.C. Weinstein, "Does Preventive Care Save Money? Health Economics And The Presidential Candidates," New England Journal of Medicine, 358(7) (Feb 14, 2008): 661-663.

P.J. Mahadevia, L.A. Fleisher, K.D. Frick, J. Eng, S.N. Goodman and N.R. Powe, "Lung cancer screening with helical computed tomography in older adult smokers: a decision and cost-effectiveness analysis," JAMA, 289 (2003): 313-322.

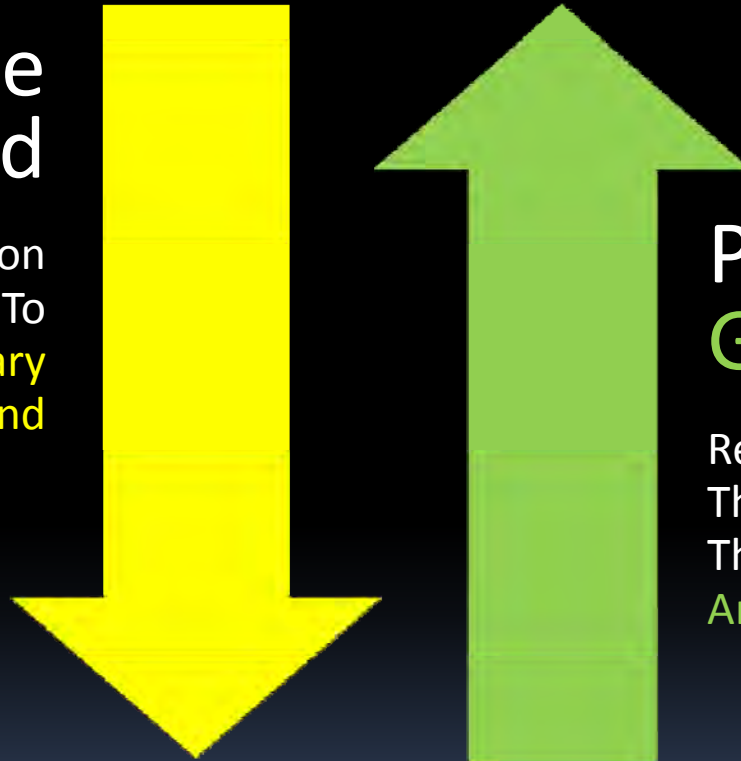
W.H. Shrank, N.K. Choudhry, J.N. Liberman and T.A. Brennan, "The Use Of Generic Drugs In Prevention Of Chronic Disease Is Far More Cost-Effective Than Thought, And May Save Money," Health Affairs, 30(7) (Jul 2011): 1351-1357.



# Our Approach To Improving Pharmacy Care

## Manage **Bad** Trend

Cost And Utilization  
Management Solutions To  
**Control Unnecessary  
Pharmacy Spend**



## Promote **Good** Trend

Reducing Medical Costs  
Through Unique Solutions  
That **Improve Adherence  
And Close Gaps In Care**

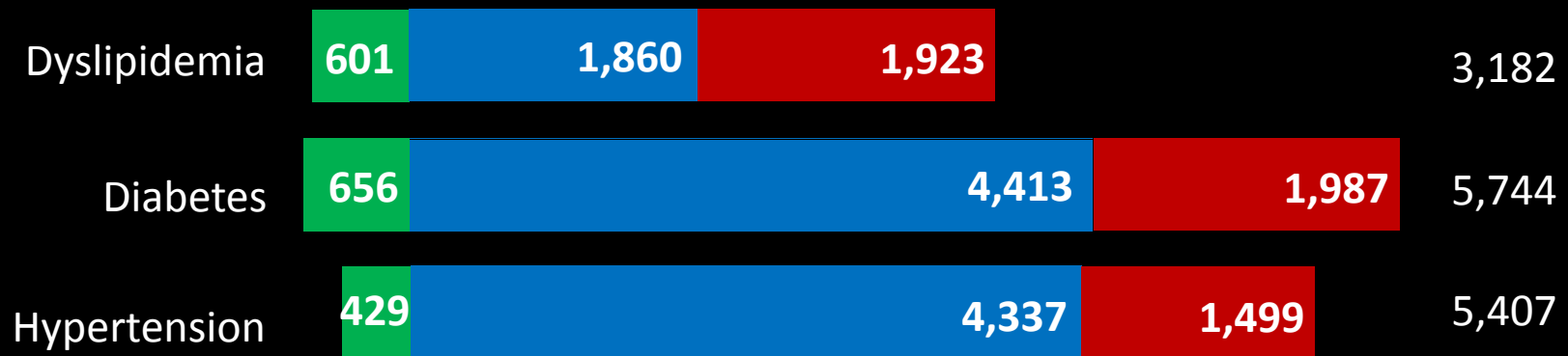


# Medication Adherence Lowers Health Care Costs

## Health Care Cost Savings: Adherent vs. Non-Adherent

All Individuals (\$ Per Member Per Year)

Net Savings



■ Added Rx Spend   ■ Health Care Cost Reduction   ■ Productivity Cost Reduction

Overall Cost Reductions Significantly Outweigh  
Additional Drug Spend

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 Jan; 30(1):91-99.  
Carls GS, Roebuck MC, Brennan TA, Slezak JA, Matlin OS, Gibson TB. Impact of Medication Adherence on Worker Productivity: An Instrumental Variables Analysis in Five Chronic Diseases. JEOM, in review.



# CVS Caremark Pharmacy Care Economic Model Uses Insights To Quantify Client Savings

---

- Calculates Financial Value Of Adherence, Gap Closure And Improved Productivity
- PCEM Developed Using Information On Improvements In Health Outcomes That Result From Better Pharmacy Care
- As A Result, Potential Savings In Health Care Costs And Productivity Costs For Clients Are Quantified



# Using PCEM To Project The Value Of Better Pharmacy Care For Heart Disease

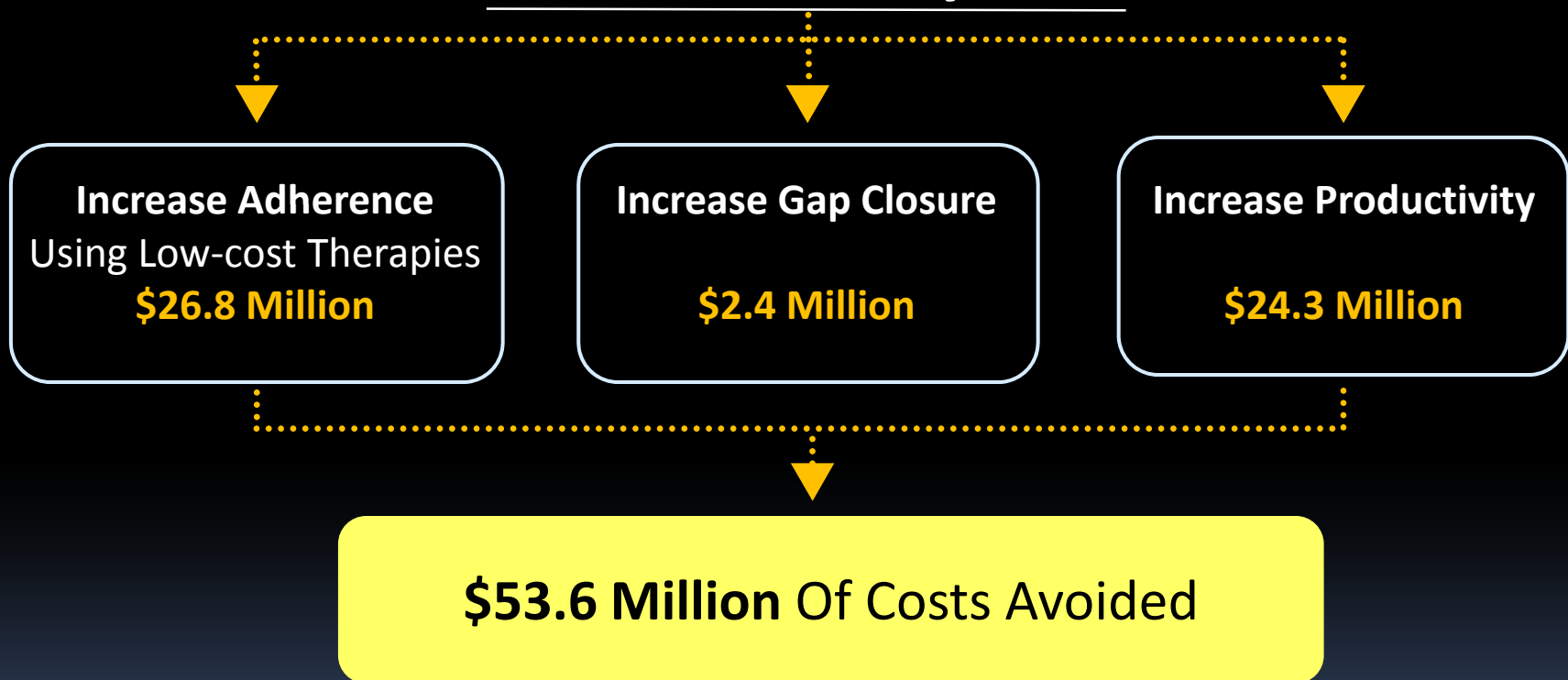
Condition	Coronary Arterial Disease
# Members w/ Condition	3,566
% Non-Adherent	34%
Adherence Savings PMPY	\$1,019
% w/ Gap	4%
Gaps in Care Savings PMPY	\$590
Productivity (Absenteeism / ST Disability)	\$1,789
Total Savings Opportunity	\$2,404,162

Outcomes  
Avoided For A  
100K Member  
Group:  
**16 Heart Attacks,  
5 Strokes,  
7 Deaths**



# Putting Pharmacy Care In Perspective: Costs Avoided For A 100K Member Group

## Better Pharmacy Care



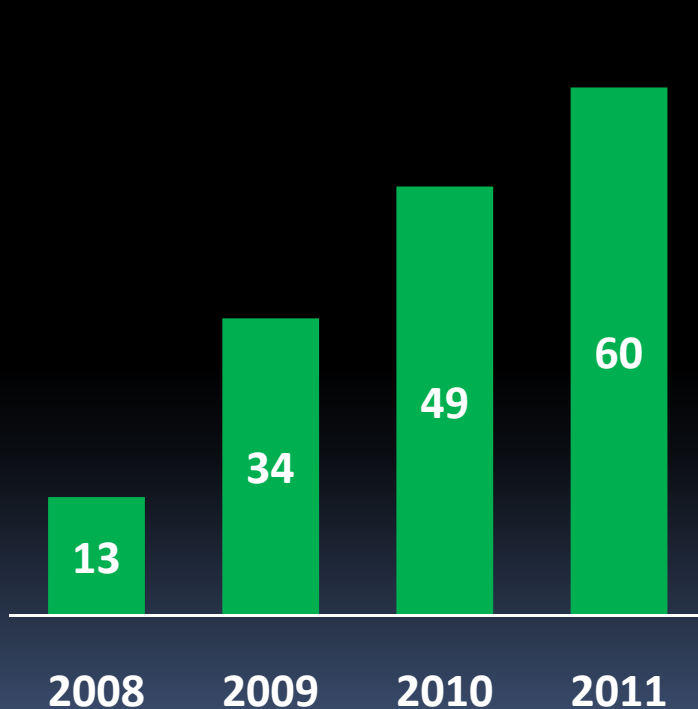
13 Chronic Diseases, \$500 Million Overall Spend, \$90 Million Pharmacy Spend



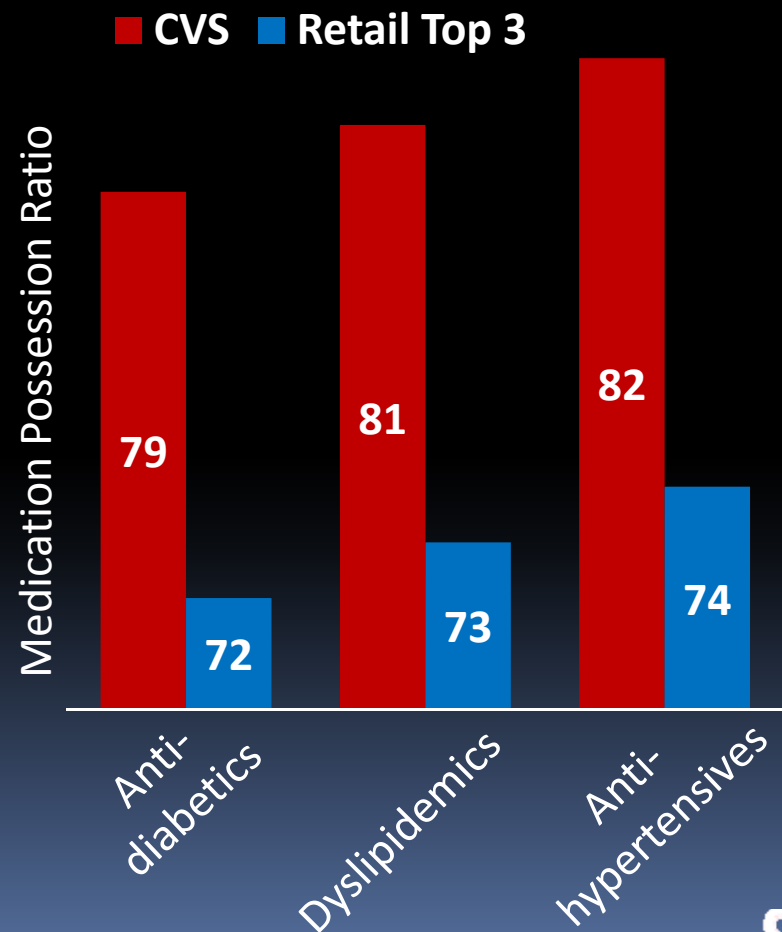
# CVS/pharmacy Teams

## Provide Best-in-class Interventions

Stores Have Conducted Over  
150 Million Interventions Since 2008 ...



... Driving Powerful Results And  
Leading CVS To Best-in-class Adherence



Note:

1. Annualized number based on 2011 1H

2. Patients with an MPR over 80 are considered "optimally adherent"

Source: CVS Caremark Quarterly Adherence Report



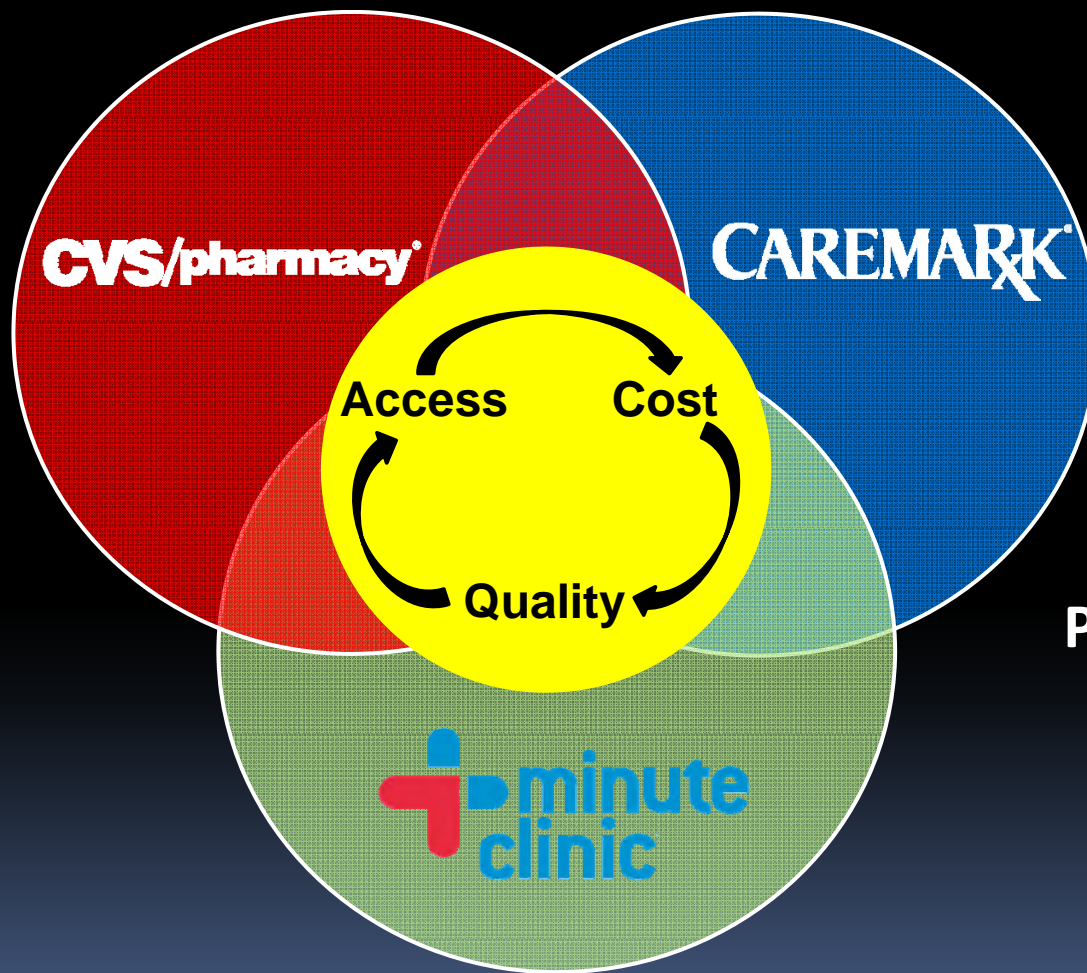
# Caremark Clinical Programs At Mail

## Also Perform Better Than Competitors

	Competitor PBM	Caremark Mail
<b>Patients With Diabetes</b>		
Adherence To Diabetes Medication	78.3%	89.6%
Adherence To Cholesterol Medication	80.5%	84.2%
<b>Patients With Hypertension</b>		
Adherence To Blood Pressure Medication	84.2%	89.6%



# Driving Better Pharmacy Care Through Our Integration “Sweet Spots”

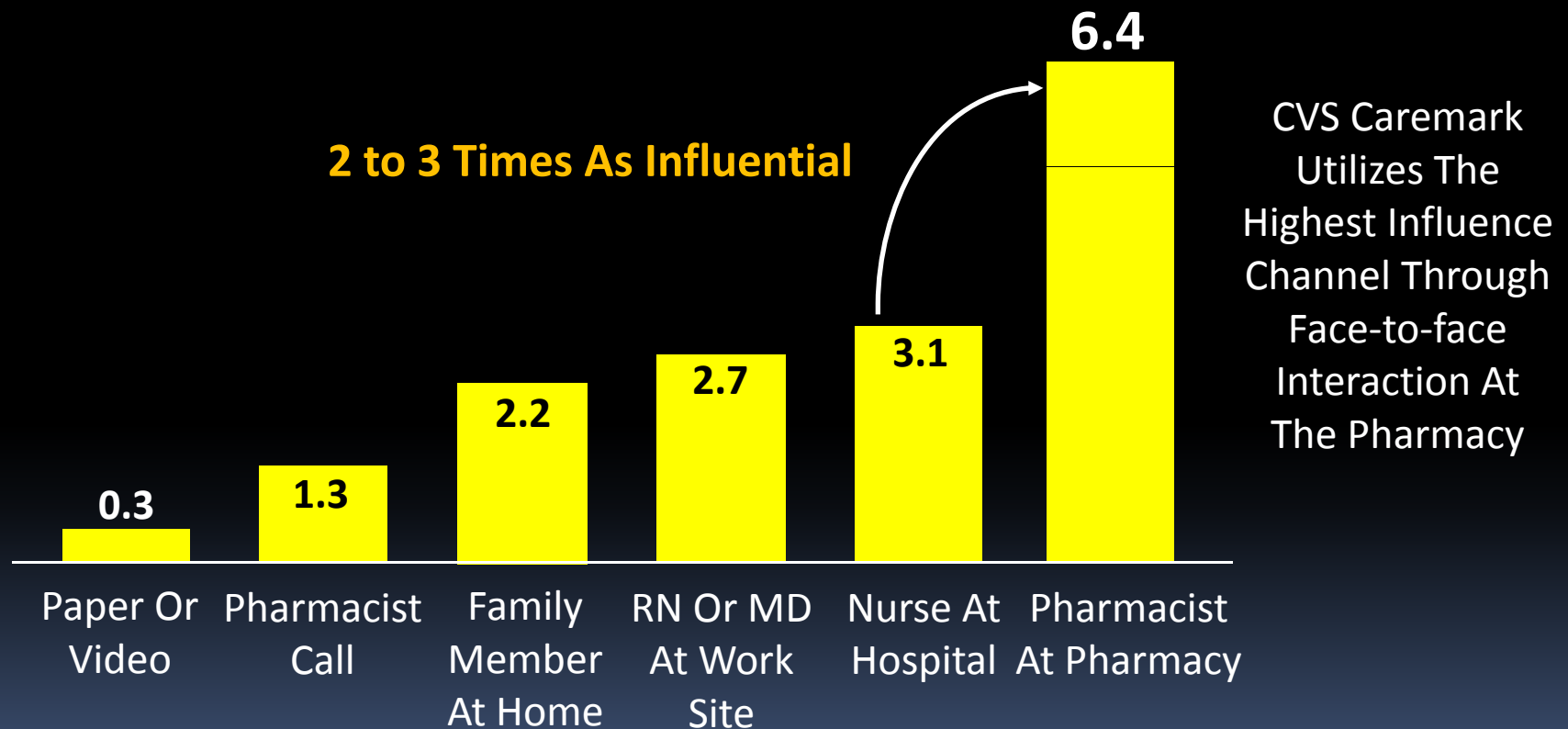


**Our Clinical Data And  
Multiple Customer  
Touchpoints Allow Us To  
Address Adherence  
Problems And Gaps In Care**



# Pharmacy Advisor Takes Advantage Of Face-to-face Counseling By Pharmacists

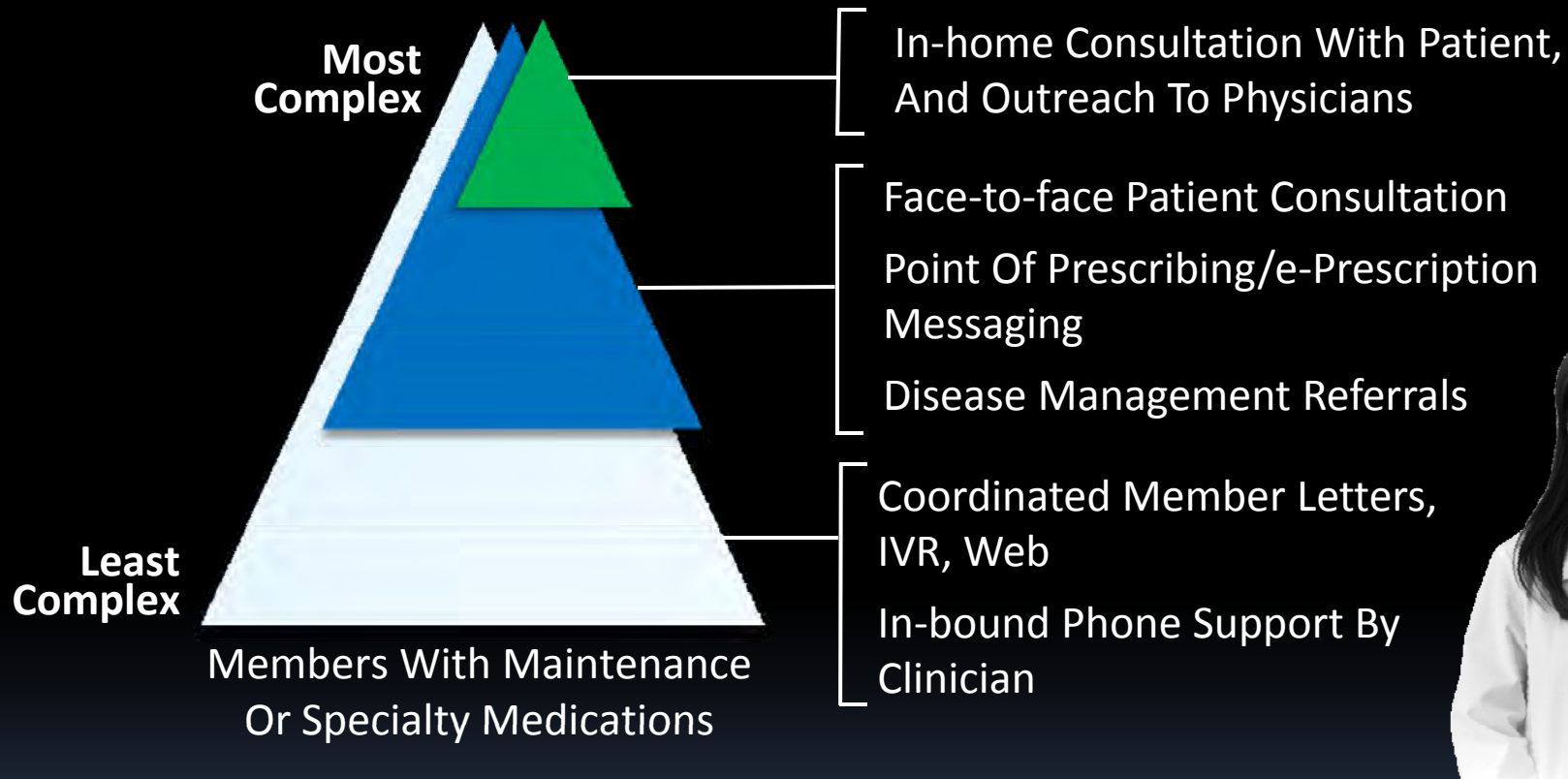
## Relative Effect Of Intervention Approaches





# Pharmacy Advisor : At Every Touchpoint

## We Improve Adherence And Member Health

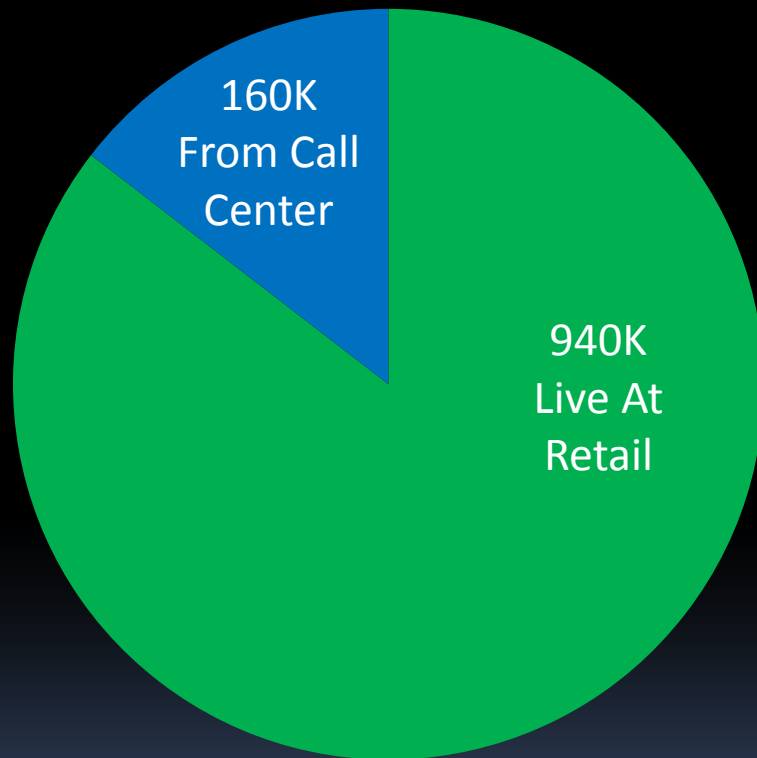


Using Clinical Data And State Of The Art Algorithms To  
Develop Real Time Messaging For Pharmacists



# Pharmacy Advisor For Diabetes

Rolled Out To 12 Million Members, 700K People With Diabetes



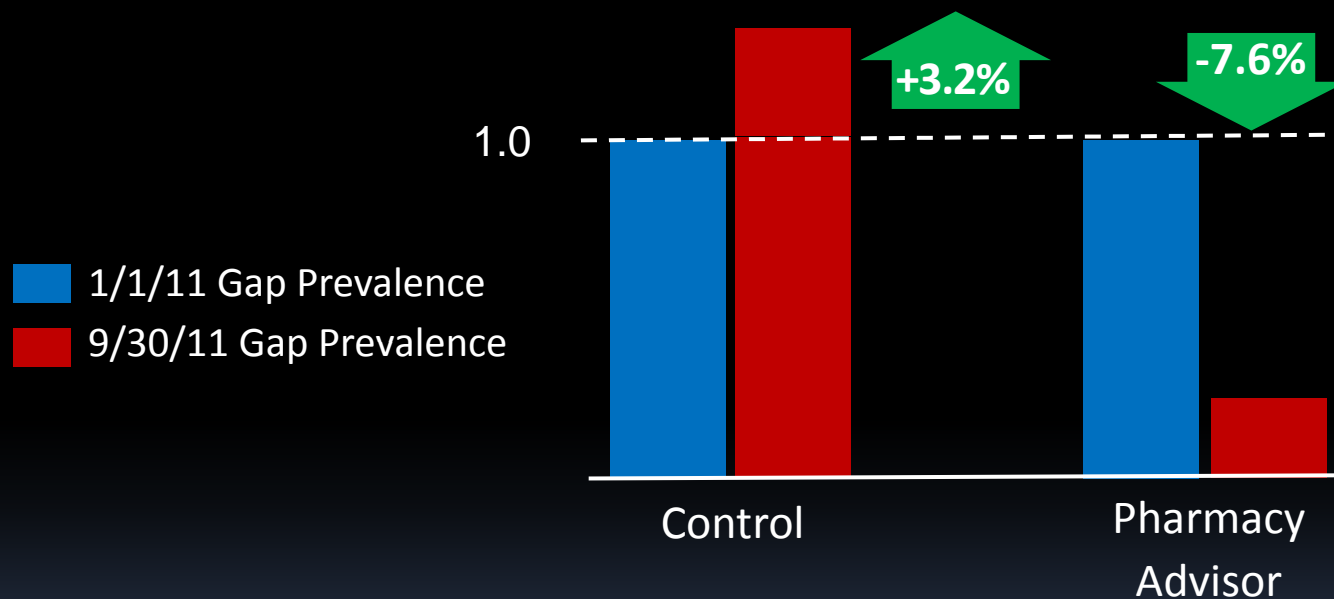
Has Resulted In **470K** Communications Regarding Gaps In Care, And More Than **110K** Changes In Prescribed Medications

Delivered Interventions Through November



# Pharmacy Advisor Significantly Improves Gaps In Care

Percentage Change In Total Gap Prevalence



**Pharmacy Advisor's Interventions Drive Impactful Changes In Member Behavior**

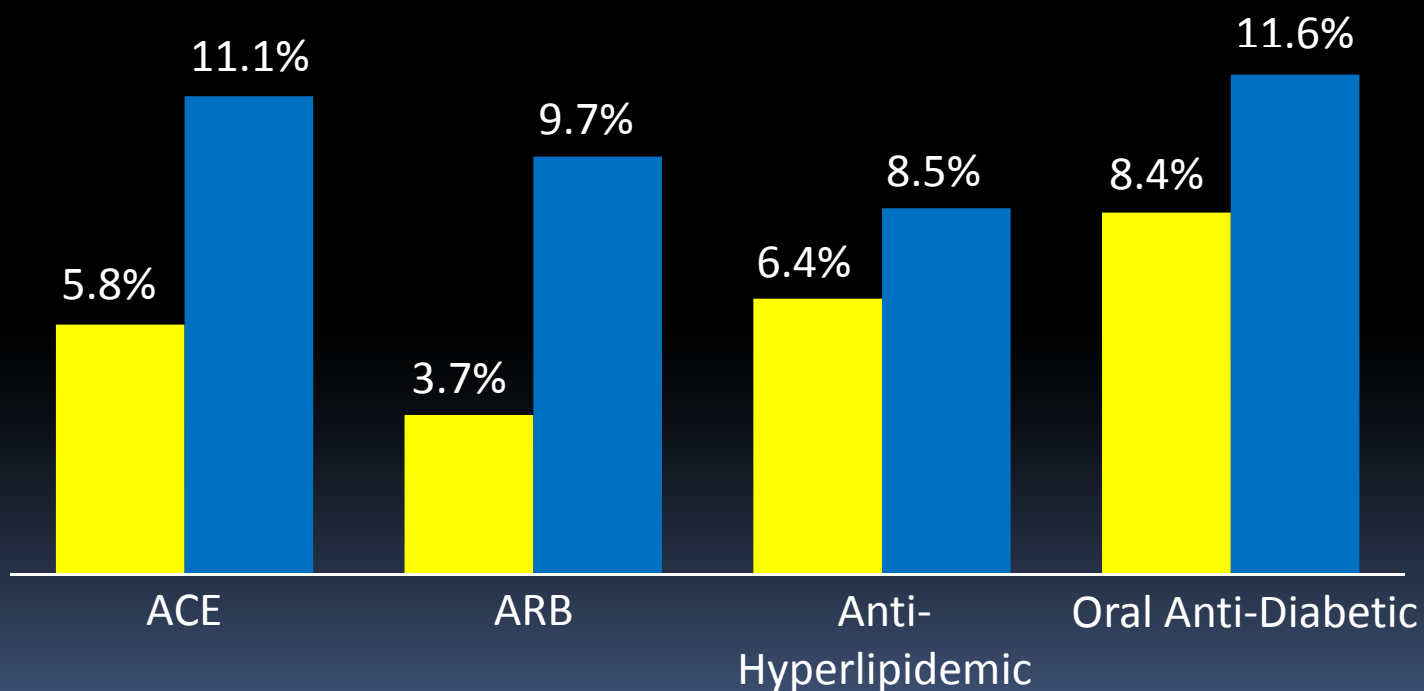


# Multiple Programs Drive Even Better Results: Pharmacy Advisor And Maintenance Choice

## Percentage Change In Optimally Adherent Members By Drug Type

■ Pharmacy Advisor Only

■ Pharmacy Advisor & Maintenance Choice Combined



### Notes:

1. For clients that began Pharmacy Advisor adherence interventions in mid Q1
2. Results are measured through end of Q3 2011; baseline of 1/15/11

Source: CVS Caremark Enterprise Analytics analysis of Pharmacy Advisor data, November 2011.



# Reinventing Pharmacy Care: Leveraging All Channels To Promote Good Trend And Manage Bad Trend



Diabetes ————— **Now**  
Hyperlipidemia ————— **April 2012**  
Hypertension  
CAD/Heart Failure  
Asthma/COPD ————— **December 2012**  
Depression  
Cancer  
Osteoporosis  
Gastrointestinal ————— **2013**  
Multiple Sclerosis  
Rheumatoid Arthritis  
Chronic Kidney Disease



# MinuteClinic Role In Pharmacy Advisor

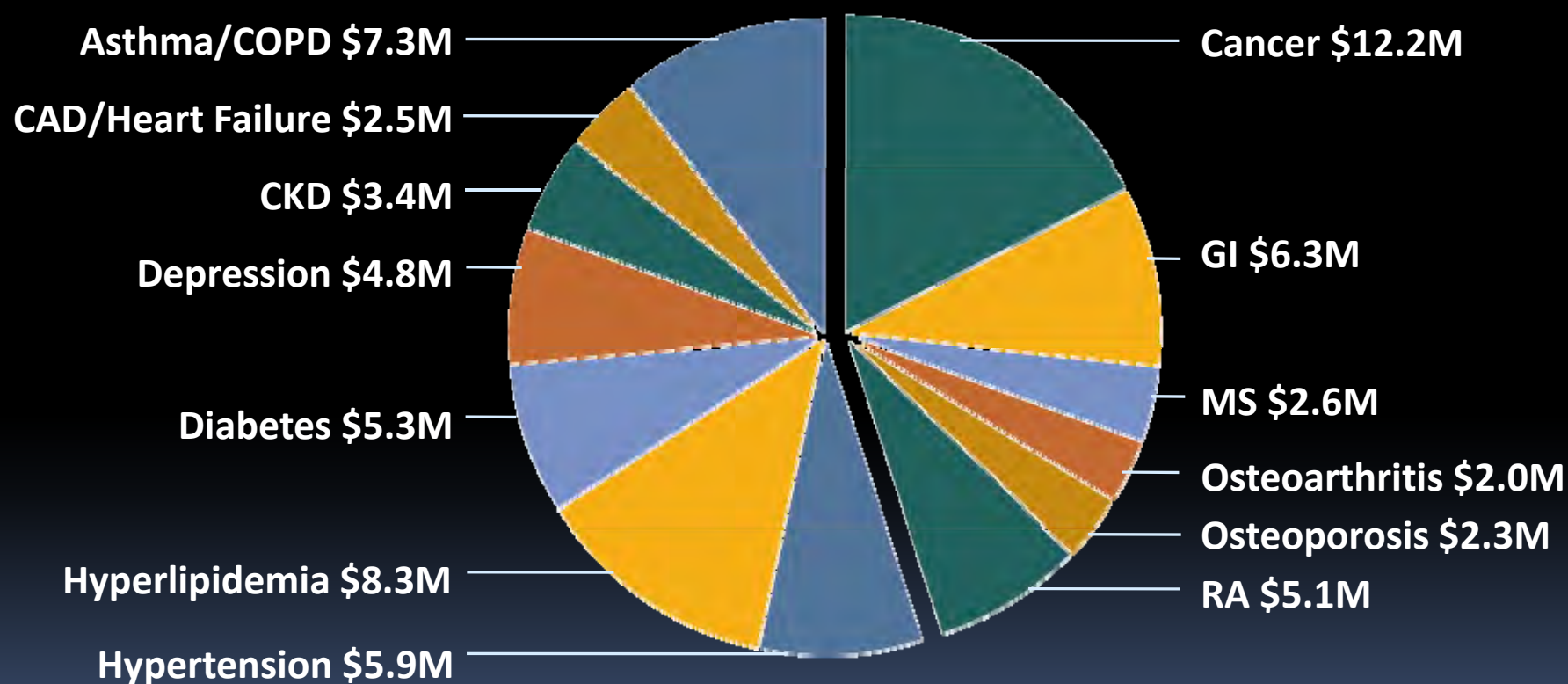


Program	Description
Core Conditions	<ul style="list-style-type: none"><li>• Hypertension, Hyperlipidemia, Diabetes, Asthma And Depression</li></ul>
Evaluation Services	<ul style="list-style-type: none"><li>• Screening, Laboratory Testing And Monitoring Integrated With Wellness (Weight Loss, Smoking Cessation And Exercise)</li></ul>
Co-management	<ul style="list-style-type: none"><li>• Working With Strategic Partners To Provide Medication Management For Patients With Chronic Disease</li></ul>
Alignment With Pharmacy Advisor	<ul style="list-style-type: none"><li>• Clinical Data Access Through Connective Technology</li></ul>



## Pharmacy Spend Varies By Population...

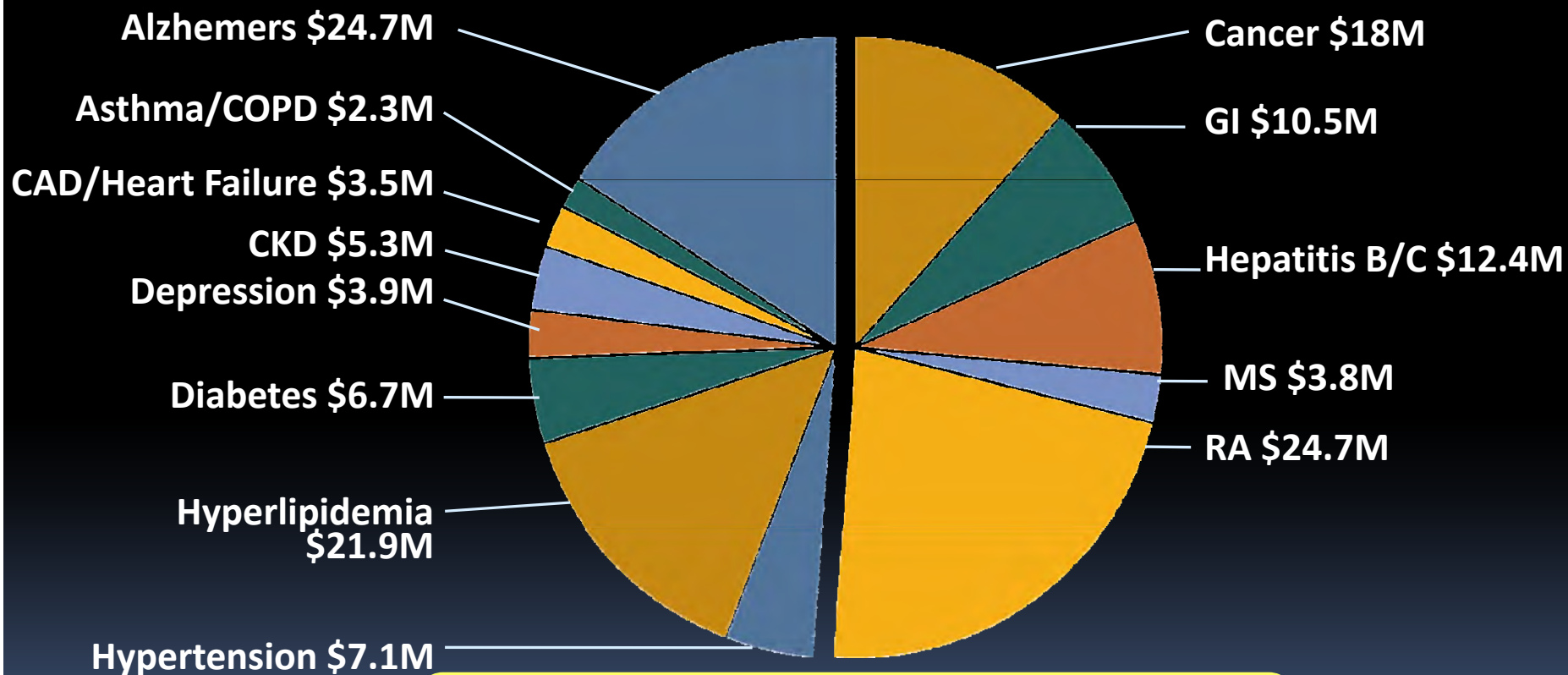
100K Commercial Population: **Total Spend \$68M**





## Pharmacy Spend Varies By Population...

100K Medicare Population: **Total Spend \$154M**



...So We Need To Tailor Our Programs Accordingly



# Pharmacy Care Calculator Shows Significant Value From Adherence Improvement

## Client Profile

Select Client: Client A

Baseline Period: Jul2010-Jun2011

Total Rx Spend: \$18,551,084

Eligible Members: 27,345

Estimated Number of Employees: 13,339

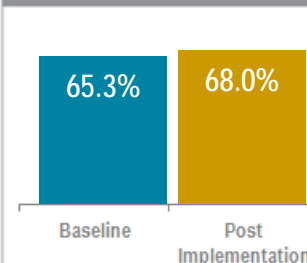
## Demographic Profile

	Current	Expected in Jan- Dec 2011 *		
		Low	Med	High
Percent Male	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Average Age	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
GDR	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
MDR	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Member Share	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>

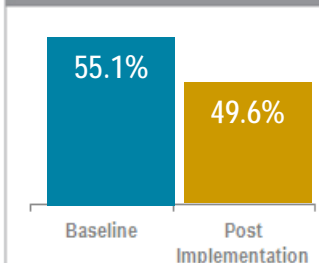
	Current Programs	Programs Expected in Projection Period
Adherence to Drug Therapy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Maintenance Choice	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pharmacy Advisor	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Evidence-Based Plan Design	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Mail:		MAIL
None	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Incentivized Mail	<input type="radio"/>	<input type="radio"/>
Mandatory Mail	<input type="radio"/>	<input type="radio"/>
ReadyFill at Mail	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

## Adherence Results

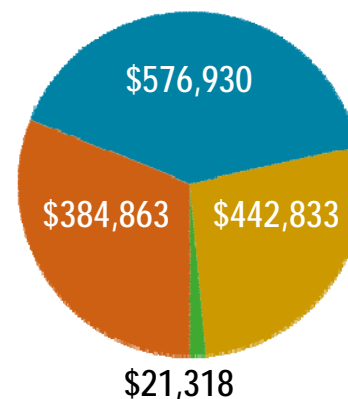
### MPR Change



### Gaps Prevalence



## Total Savings



Increased Cost of Utilization

**\$363,795**

Total Healthcare Savings

**\$1,062,148**

Medical Generic Gap Closure Productivity

**CVS  
CAREMARK**

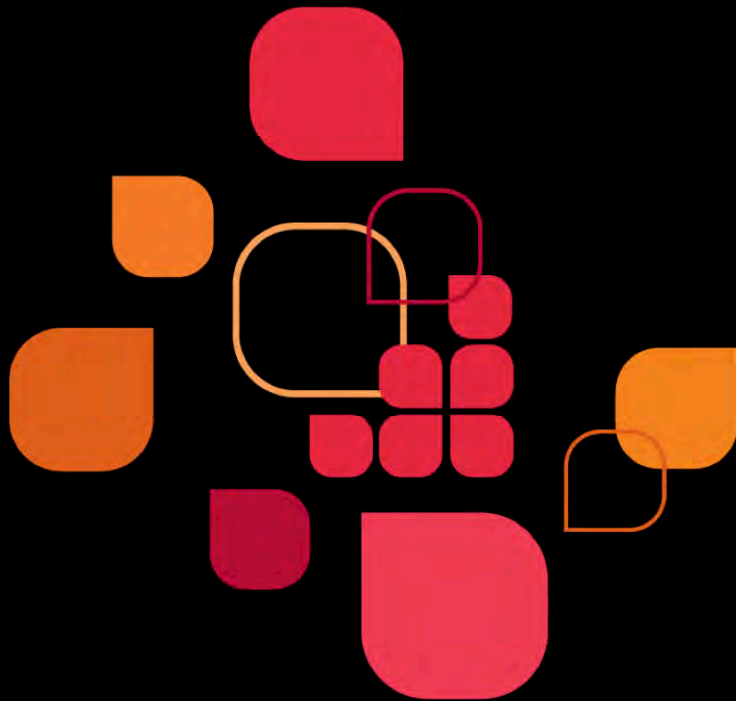
**CVS  
CAREMARK**



## Reinventing Pharmacy For Better Shareholder Value

- We Are Designing Highly Cost-effective Interventions That Improve Care And Lower Costs Through Better Pharmacy Care
- We Are Using Our Unique Channels In A Coordinated Fashion To Have The Maximum Effect
- Other Companies Do Not Have These Resources, And Cannot Produce Similar Results For Patients And Clients
- Building On These Assets, We Will Continue To Reinvent Pharmacy Care





## Closing Remarks

Larry Merlo  
President & CEO

2011  
**analyst**  
day



# Reinventing Pharmacy For Better Shareholder Value

- Set Achievable Goals In 2011 And Delivered
- Positioned For Strong Growth In 2012 And Beyond
- Focused On Continued Leadership In Our Core Businesses
- Driving Pharmacy Innovation To Solve Key Health Care Issues
- Capitalizing On The Power Of Our Integration “Sweet Spots” To Drive Superior Long-term Growth And Value